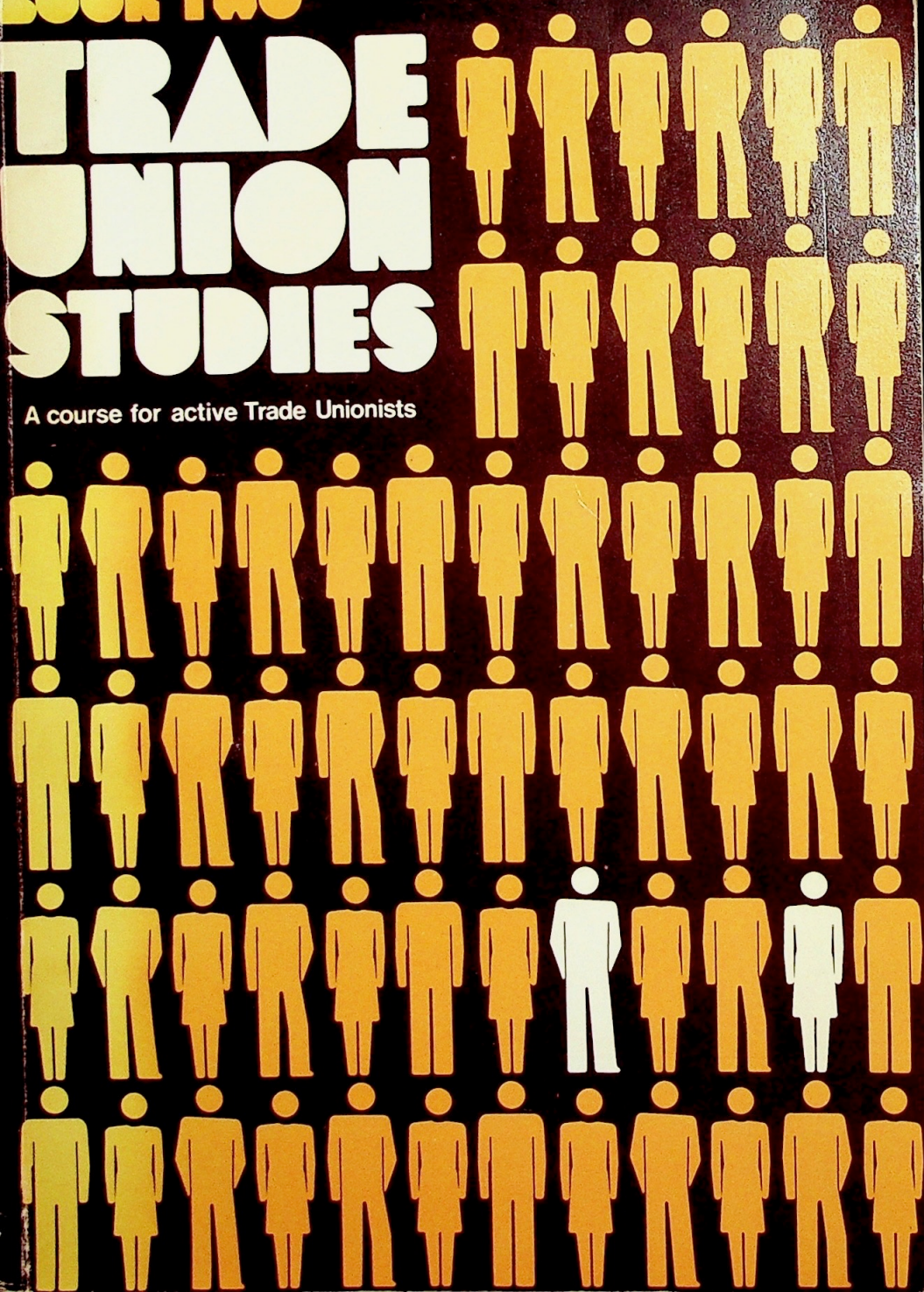


BOOK TWO

BBC

TRADE UNION STUDIES

A course for active Trade Unionists





TRADE UNION STUDIES

Book Two: Trade Unions
and the Economy



Published to accompany a series of
programmes prepared in consultation with
the BBC Further Education Advisory
Council.

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TRADE UNION STUDIES

A course for active Trade Unionists
Book Two: Trade Unions and the Economy

This book accompanies the Year Two series of BBC programmes, first shown on BBC 1 at 11.25 a.m. on Sundays, starting 9th January 1977, with repeats at 7.05 p.m. on BBC 2 on the following Wednesdays. The series is being repeated in Autumn 1977.

PREFACE

First launched in November 1975, the Trade Union Studies project is a three-year scheme of trade union education designed to help trade unionists in thinking out their own ideas on the questions of policy that face them. It has been described as a multi-media project, since the television programmes are accompanied not only by books like this one, but also by new postal courses developed by the TUC's Educational Department and day school provision by the Workers' Educational Association. Thus the project as a whole is the result of collaboration between trade union, broadcasting and educational agencies — a development very much in line with recommendations made in the Russell Report on Adult Education. The planning has been done by a project team drawn from the Further Education Department of BBC-TV, the TUC, the WEA, and Sheffield University Extra-Mural Department.

As with Book 1, this book is a learning aid specifically designed for trade unionists. Its job is to present its readers with the information and arguments to help them think out their own attitudes and points of view, whatever their ideological standpoint within the labour movement. It therefore does not itself give support to any particular line of policy or particular union view. Using the TUC's Economic Review as a reflection of some consensus of the wide variety of political and economic views held within the trade union movement, the authors of this book have deliberately concentrated on setting out clearly some of the main economic issues being most actively debated within the movement in the late 1970s. Clear understanding of these is equally important for those trade unionists who seek solutions through political objectives such as a more fully planned economy, or a more freely competitive market economy.

The book represents a group effort: working from a scheme proposed by Michael Barratt Brown, and a draft for six chapters by Terry Dillon of Bangor University, it was completed by members of the project team: Michael Barratt Brown of Sheffield University Extra-Mural Department, Doug Gowan and Ruth Elliott of the TUC, and Tony Matthews and John Twitchin of the BBC. Like the rest of the BBC's provision of books and programmes to the Trade Union Studies project, it has been made with the full backing of the BBC Further Education Advisory Council. The graphics and diagrams were conceived by Doug Gowan, and illustrated by Hugh Ribbans.

John Twitchin

Producer, Trade Union Studies
BBC-TV Further Education Department

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Learning from Trade Union Studies

If you are a trade unionist, the Trade Union Studies project is a major self-learning opportunity. It's designed to help you understand better the *policy issues* that confront all trade unionists in the late 1970's. More than that, it aims actually to help you *in thinking out your own views* on the issues. By following it as a course, any trade unionist should be in a position to make an informed, well-argued, and effective contribution to union discussions and debate — whether at the workplace or at regional and national union conferences.

Book One

As well as handling individual grievances and bargaining over basic wages, active trade unionists also have to consider their positions on more and more issues, if they are to do a good job in representing their members. The issues may include what line to take on overtime working; or how to negotiate in advance when changes in organisation or machinery are proposed; or what rights safety representatives need; or how to forestall redundancies by securing information on manpower and investment plans. But apart from considering new areas of bargaining, trade unionists also need a sure grasp of the new rights and responsibilities given in recent laws like the Employment Protection Act, the Health and Safety Act, the Equal Pay and Sex Discrimination Acts. Only when shop stewards and staff representatives have the knowledge and the confidence that goes with it, will they be able to claim wider joint control over decision-making at work - which is what the push to greater industrial democracy is all about. Book 1 of Trade Union Studies set out to give help in all this — to help in thinking out the policy issues involved *in your own workplace bargaining*. (To obtain Book 1, see page 11)

What this book is about

This book follows on directly from Book 1, aiming to explain some of the economic forces and trends *outside the work place* which still have powerful effects on bargaining about pay and jobs. The Book 1 chapter on redundancy, for instance, covered ways of handling it when it happens. The chapters on 'The Right to Work', and 'New Jobs for Old', pick up the wider issue of why unemployment happens, and what national union policies might be necessary to help prevent it. 'New Jobs for Old' also picks up wider issues about how unions are to regard the results of technological advance in industry, which could only be hinted at in Book 1 in the chapter on reorganisation at work. Again, problems raised in the Book 1 chapter on multi-national companies are here more fully spelt out in 'Workers of the World'. In general, then, this book develops from Book 1 to explain why local industrial bargaining is no longer enough by itself to protect the

members' job security and standard of living. *It explains why unions need policies about what should be done in managing the economy as a whole.* This should help understanding of newspaper reports of union national policy positions on economic matters. It should help understanding also of the TUC's Annual Economic Review — which in a sense is being issued each year in the name of all trade unionists, and which despite all the disagreements that exist within the union movement, shows the general directions in which the movement is using its weight in influencing the government on decisions which vitally affect the pay and jobs of all workers. As a trade unionist, you can yourself affect this general direction by helping your union develop the best policies.

The union movement has considerable power of influence on government thinking and decisions. But the movement is also proud of its democratic structure, and it's only through finding agreed policies on economic issues that unions can mobilize their industrial bargaining power on behalf of the interests of all working people. So that's why understanding the issues is only a first step — the main aim of this book is to list the arguments so that you can think through your own views and then *play an effective part in helping make the union policy.* This might be through discussion at branch level of resolutions for regional or national conferences, or in the debates themselves on such resolutions.

The point is that this is not another textbook about economics. While it looks from time to time to certain tools of economic theory in explaining some background to current economic issues, it is primarily a practical work book to help you decide and argue for your own position on some of the main questions of debate within the trade union movement in the late '70s. The economic theory and facts behind current affairs in Britain is more fully covered in the postal course which follows on from this book. Or an excellent outline is available by economist Peter Donaldson in his introductory book 'Peter Donaldson's Illustrated Economics', which is available in bookshops as a paperback, or from BBC Publications (see page 11).

How to use this book

This book can of course be used by itself. But it is really designed to expand and confirm for you the information and arguments first raised by the trade unionists in the 10 TV programmes of Trade Union Studies Year Two — Trade Unions and the Economy. It also serves as an essential introductory work book for the new TUC postal course called 'Trade Unions and the Economy'. So if you're studying by yourself at home and really want to get to grips with this course, we suggest 4 steps of study:

- 1 Read the chapter quickly, to get an overall idea of the subject.
- 2 Watch the programme
- 3 Re-read the chapter, taking the trouble to note down your responses to the questions
- 4 Apply to take the follow-up TUC postal course (details page 130)

You'll see that most chapters start with some quotations—the sort of public statements and viewpoints we often see or hear. They should give you a useful first indication of the area of controversy and debate that the chapter aims to make clearer. Each chapter then sets out more fully the facts and analysis introduced in the programme, and includes a summary of two sets of issues—those which concern your local organisation and bargaining; and those on which you need to help your union develop the best national policies.

Discussion groups

There's no doubt that many trade unionists learn best through participating in organised discussion. Following study of the chapter you should take any opportunity to join others in viewing the programmes and discussing the issues listed in the chapters. Even more helpful, especially where economics is concerned, is to join a class built on the series with a tutor. You can find out from Trade Union Studies, Tillicoultry, Scotland, if there are discussion groups in your area; otherwise you can ask for advice on classes (perhaps at one of your local further education colleges) through the TUC Regional Education Office or WEA District (details page 127).

If you don't find a class or group, why not set up a discussion group of your own, with colleagues at work? Or seek advice on the idea from the union officer responsible for education matters?

Discussion Group Leaders' notes

A set of general 'Notes for Discussion Group Leaders' has been prepared by the WEA. And for tutors of shop stewards' courses, or trade union officers who want to use the Trade Union Studies materials on courses or in group discussions there is a special set of discussion guidance notes on how to use the programmes and books of Year One effectively. The notes give hints on how adults learn: the use of video cassette recordings in union training; ways of structuring follow-up discussion; and tackling common wrong assumptions about the project. The notes draw on the experience of union education officers and tutors who used the Year 1 Series during 1976. A further set of tutor's notes on the Year Two programmes has also been prepared. Both the Trade Union Studies discussion notes, and the WEA notes, are available from Trade Union Studies Project, TUC Postal Courses Office, Tillicoultry, Scotland.

A research report is also available from Tillicoultry. It offers the results of an in-depth survey, analysing how trade unionists in all sections of the movement actually gained in knowledge and confidence from following Year 1 of Trade Union Studies. The report gives insights for officials responsible for education on what difficulties shop stewards experience in applying new knowledge gained through following a course.

How to get copies of this book

This book is available in bookshops, or it can be obtained direct from BBC Publications, P.O. Box 234, London, SE1 3TH if you send a postal order or cheque, adding postage.

Tutors or union officials who buy 25 copies or more on behalf of a group are given a 25 % discount, and postage free, on orders with remittance to the above address.

The Trade Union Studies Book One, and the book 'Peter Donaldson's Illustrated Economics' are available in the same way.

For information about the prices or the postage rates, contact BBC Publications, (General Enquiries) 35 Marylebone High Street, London, W1M 4AA, 01-580 5577, Ext. 3999.

The Trade Union Studies books are also available from Trade Union Studies, TUC, Tillicoultry, Scotland, at price, and postage free.

Tillicoultry offers tutors and others a sale or return facility for both books, and will supply copies of the tutors' notes, publicity leaflets, and research reports on the Trade Union Studies Project, on request.

Films and video-tape cassettes

For details of availability of programmes on V.C.R. or as 16mm films, ring BBC Enterprises, Villiers House, Ealing Broadway, London W5 2PA, 01-743 8000, Ext. 394/5.

TUC Regional Education Officers (see page 127) may have details of video cassettes available at colleges, WEA Centres, University Extra-Mural Boards and union training centres, and may advise about loan or sharing facilities between unions.

What use is economics to us?

Imports to UK rise by 3%

Bad trade figures
Jobs likely

Share markets
likely to rise
in the doldrums —

Money supply rise sh

Good results
to exp

for investors
Foreign car

Market jitters
import

as sterling
rocket

slides again

UK recovery: hint of

CAR imports to Britain

Introduction

The question in the title of this chapter can't be answered in a few pages. But we hope that after you've worked your way through this book you'll have a clearer picture of your own views of the way the economy works, as well as a better knowledge of the policies developed by the TUC and the trade union movement as a whole.

Union Policies

By union policy questions we don't just mean the big discussions at national level between the TUC and the Government; we mean your response to the issues that affect you in your workplace or branch.

Why do unions have to develop their own policies? Clearly there wouldn't be a need for this if managing the economy were just a technical job, and we could leave it to the 'experts'. People have different ideas about economic priorities. Some people, for example, would put the emphasis on better public services, whilst others would prefer not to pay the extra tax. And even when there is agreement on what should be done, there are different views on how to do it — or on what is the correct economic theory.

An important general skill that we hope you will be developing as you work through this book is to be able to take a step backwards from the confusion of current events and to begin to sort out the *underlying* factors in a particular situation. Often the way current economic news is reported in the media tends to mix up causes and effects. Because a union general secretary's speech on pay policy took place on the same day as a decline in the value of sterling on the foreign exchanges, for example, it does not necessarily mean that the speech *caused* the decline.

General questions for this chapter

Here are some of the questions we shall be looking at in this chapter. You should think about them before reading the chapter or watching the programme — and review them again afterwards.

- 1 What are the basic objectives of unions on economic questions?
- 2 How are decisions made in industry? Who makes them?
- 3 How can unions influence economic decision making? and at what level should they be involved?
- 4 How much agreement is there on the solution to Britain's economic problems? What view do unions generally take?

Union Objectives

We'll start with the first question on our list about the basic objectives of unions. If you look in your own union rule book there will be a list of the 'objects' or aims of the union, and some of these almost certainly relate to political and economic affairs. And these aims will have been developed in union policy-making conferences.

One of the best-known statements of the aims of trade unions in general

was produced by the TUC over ten years ago in its evidence to the Royal Commission which was then enquiring into industrial relations in Britain (This is usually known as the 'Donovan Commission'). The TUC listed ten key objectives of unions. Here is that list:

- 1 **improved terms of employment**
- 2 **improved physical environment at work**
- 3 **full employment and national prosperity**
- 4 **security of employment and income**
- 5 **improved social security**
- 6 **fair shares in national income and wealth**
- 7 **industrial democracy**
- 8 **a voice in government**
- 9 **improved public and social services**
- 10 **public control and planning of industry**

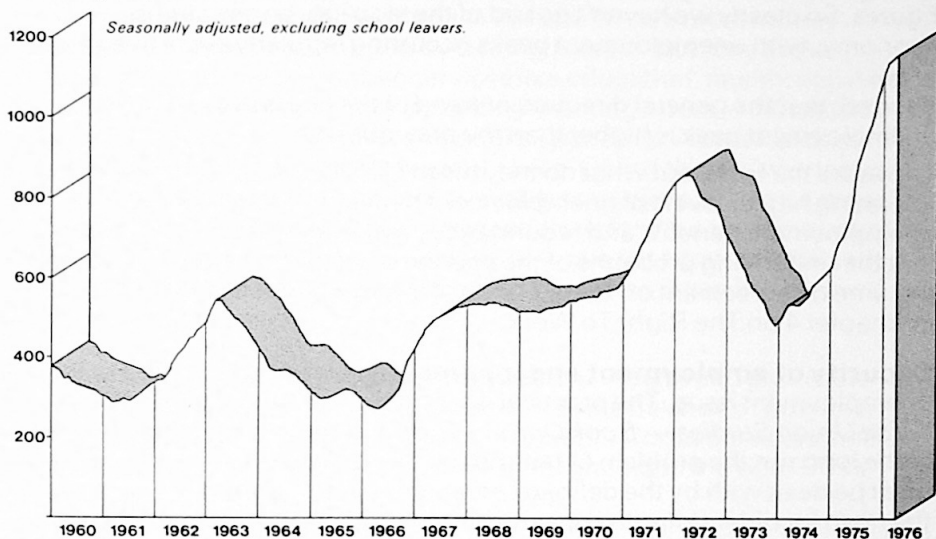
Look carefully at the list again. How many of these objectives relate to economic issues as you understand them? The answer must be that virtually all of them do, in one way or another, with the possible exception of objective 2.

Let us look at each of these objectives in turn:

Improved terms of employment imply a better standard of living for working people in terms of their *real wages*— that is, wages measured in terms of purchasing power rather than simply in terms of cash amounts that become meaningless through the effects of inflation. We shall be looking at inflation and its causes in Chapter 7.

Full employment and national prosperity are objectives that relate to the way the whole economy is run. Trade union pressure on both Labour and Conservative Governments after the War helped to prevent a return to the unemployment levels of the 1930s. But the picture today is bleaker. Take a look at this graph of the unemployment figures over the last sixteen years:

Unemployed in Great Britain (thousands)



A note on understanding figures

It's impossible to discuss economic questions without bringing in facts and figures or statistics of various kinds. So part of our aim in this book is to help you make sense of the information contained in tables and graphs.

Points to note

It can be just as important to read the small print on any set of figures as the figures themselves. It is important to know, for example, that the graph above shows you the number of unemployed *excluding* school leavers.

This means that the usual jumps in the unemployment rate in mid-summer caused by youngsters registering as unemployed are *not* shown on the graph.

It is important to know also that the figures are *seasonally adjusted*. You will probably have seen this phrase applied to several kinds of economic statistics.

Figures can be corrected for ups-and-downs that occur regularly over the course of a year by the process of *seasonal adjustment*. What happens is that the *actual* figures are compared with the *usual* pattern of events in previous years. If unemployment *usually* drops by 10,000 in June, for example, but the actual drop in June is 5,000, then there will have been a seasonally-adjusted *increase* of 5,000 in unemployment since fewer people would have found jobs than would have been expected at that time of year.

When you are comparing two sets of figures, it is extremely important to make sure they have the same basis. It is no good comparing seasonally adjusted figures with figures that are not adjusted, for example. The principle is that you should compare *like with like*.

Unemployment trends

What patterns or trends can you see in the graph? If you study it carefully, two things should become clear.

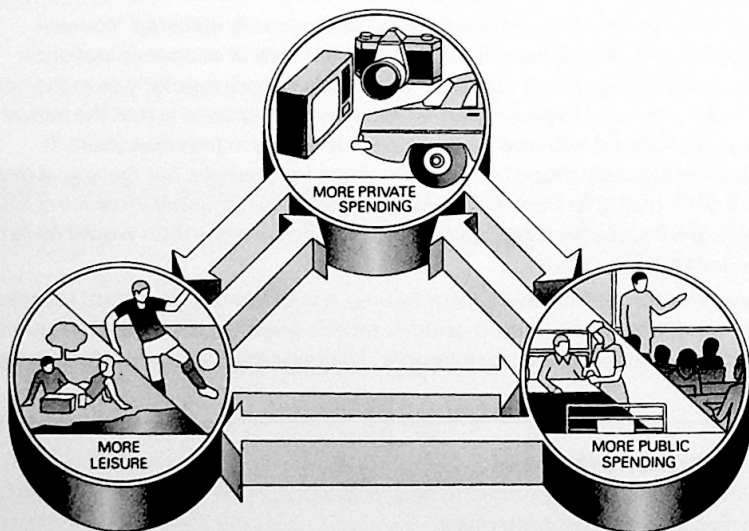
First, that there is a strong up-and-down movement in the unemployment figures. So clearly we haven't got rid of the stop-go, boom-slump economy, with unemployment peaks occurring regularly every five years or so.

Second, that the general direction or *trend* of the line is upwards. Each unemployment peak is higher than the previous one.

Those are the facts, but what do they mean? Do they mean that we are tolerating higher levels of unemployment because of earnings-related unemployment benefits and redundancy payments— or are they a sign that the underlying problems of the economy are getting worse? There is genuine disagreement on these points of interpretation. We take them up in Chapter 4 on The Right To Work,

Security of employment and income is an aim closely related to the unemployment issue. The practical issues for unions were dealt with in *Trade Union Studies— Book One* in a special chapter on redundancy. But in the long run the problem of redundancies in a modern industrial society must be dealt with by the deliberate creation of new work and new jobs, as the need for older skills disappears due to technological change. These issues are taken up in The Right To Work chapter, and also Chapter 5, New Jobs For Old.

Improved social security and improved public and social services. Perhaps we would now replace this with the phrase 'a bigger social wage'. It is clear that the standard of living of working people is not just based on the wage packet and what it buys. But the problem is that there has to be a choice between *social* services and benefits, and *private* consumption— in the last analysis, they come from the same 'cake'. This diagram brings together some of the choices that are available to us— at least in theory!



If you look back at the diagram you can see, there is a tug-of-war going on between all three points on the triangle. We could have more money available for private consumption by cutting taxes— but only at the expense of fewer or worse public services like education, health, etc. And we could have more leisure now by cutting working hours— but at the expense of private consumption and public spending. We look at these issues again in Chapter 8 on Wages and Taxes. Only if there is *economic growth* will there be more resources available to achieve all three aims at the same time. The ability to have more resources for the same amount of work— or the same resources for less work— is what economic growth is all about. We look at this question of *growth* and how it can be achieved in Chapters 2 and 3.

Fair shares in national income and wealth. Wealth and power are closely connected. So if we are concerned with the balance of power in society, we must look at the distribution of wealth. Could our economic problems be solved by taking from the rich and giving to the poor? This issue is taken up in Chapter 7 on Fairer Shares

Industrial democracy, a voice in government, and public control and planning of industry. These three trade union aims are really about *how* economic decisions are influenced. They reflect a general concern that decisions about the way industry is run should not just be taken by private investors and businessmen acting in their own self interest. Greater *industrial democracy* is necessary if workers and their unions are to have a bigger say in decisions made at *company* level— over, for example, investment decisions, transfers of plant and equipment, closures. This is what the TUC's report on *Industrial Democracy* had to say about this:

'Major decisions on investment, location, closures, takeovers and mergers, and product specialisation of the organisation are generally taken at levels where collective bargaining does not take place, and indeed are subject matter not readily covered by collective bargaining. New forms of control are needed. This problem is particularly acute in the private sector, where on the one hand local and plant bargaining do not affect planning and investment decisions, and, on the other, national agreements are not concerned with the management decisions of individual firms. . .'

TUC Report on Industrial Democracy, para 85

The whole report is available as a booklet from the TUC (see page 124).

Planning Methods

It is wrong to think of *public control and planning of industry* as just an issue of nationalisation or no nationalisation. An important way in which post-war governments have tried to influence the decisions of private companies is through various kinds of *incentives*. Governments have tried to correct regional imbalances in employment opportunities by offering,

for example *direct incentives*, such as the *Regional Employment Premium*. This gave employers a cash subsidy for each employee in high unemployment areas. It has also offered indirect *tax allowances* which reduced the tax bill paid on profits if investment in machinery had been carried out by the company.

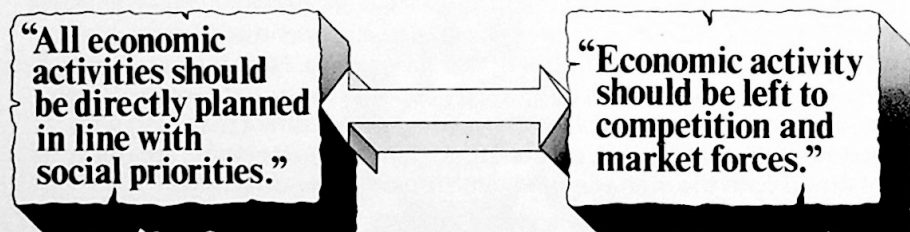
More recently, trade union pressure on the Government has helped to create a new mechanism for direct involvement in industrial planning by setting up a National Enterprise Board. We look at its new powers in Chapter 6, The Social Contract. The idea of *planning agreements* that the Government could arrive at with private companies after discussions with unions has also been put forward.

Effective Planning?

The important issue for unions is, what kind of planning measures are *effective* in securing union objectives? We saw earlier from the unemployment graph that the basic problems of the stop-go British economy have not been overcome.

Economic Theories

Is there any general agreement on a solution to Britain's economic problems? The answer must in general be no, because of the genuine differences of opinion that exist on economic theory and practice. A basic division exists among economists (and politicians) over the issue of planning. Views at opposite ends of the spectrum on this would be:



Of course, there are many shades of opinion between the two views. Most of the economic policies we will be looking at in this book are some kind of mixture of the two.

 What are your first reactions to this division of opinion between 'planning' and 'free competition'? Whereabouts between the two would your own views lie? If you are in favour of free collective bargaining, are there problems about combining this with demands for a more planned economy?

Who makes the decisions?

Economic views which stress the importance of competition and market forces point to the millions of individual economic decisions that are taken every day by producers and consumers. These buyers and sellers of goods come together in a 'market', so the theory goes, in such a way that the desire of the producer to make profits while competing with other producers matches the desire of the consumers to get the best value for their money. These forces of supply and demand balance out so that things work out more or less right without any single person having consciously thought out the whole process.

Clearly millions of individuals do make personal decisions about what they will spend or save, whether they will invest, whether they will change their job.

But does this reflect the whole reality of economic life? Here is another quotation from the TUC report to the Donovan Commission of ten years ago:

'A modern economy is a highly complex mechanism in which every part depends on every other. Yet its main characteristic is perhaps not so much its complexity as the fact that the most far-reaching decisions are taken not by millions of individuals but collectively, by large corporations, statutory authorities, Government, trade unions and other institutions operating on a large scale'.

Government and Industry

Governments have the responsibility to take the large-scale decisions about the economy *as a whole*. Decisions such as the general level of taxation, the level of public expenditure, and industrial investment and employment policies. But how far is the Government actually in control of these decisions? How far, for example, can it really affect the decisions made by the business world? Companies have certainly been getting larger and fewer — the question is whether this trend reflects a growing power. Here are some figures on this growth:

Share of largest firms in the output of manufacturing Industry

	1935	1958	1968
Top 50 firms	14.9%	24.7%	32.4%
Top 100 firms	24.0%	32.2%	42.0%

Source: TUC Economic Review 1975.

We don't yet have any figures later than 1968, but undoubtedly this process is still continuing.

Look carefully at the figures in the table. Was the growth of industrial concentration faster in the ten years 1958-1968 than in the twenty-three years 1935-1958? The answer appears to be yes.



Can you confirm this from your own experience? And has the trend continued since 1968 in your view?

Multi-national Companies

A further aspect of the growing power of large companies is that many of the largest have now become *international companies*. This was discussed in detail in *Trade Union Studies — Book One*, and you should look at the chapter there on 'Multi-nationals' if you want more information. We will be picking up this subject again in the last chapter of this book—Workers of the World. One implication of the growing power of large corporations seems to be that unions and Governments have to pay more attention to the way companies make decisions rather than concentrating on policies for the economy as a whole. This is what the TUC had to say about this in 1975:

'Four Levels of the Economy'

Up to now government action has only been at the level of the whole economy. Trade unionists start naturally from a different perspective. They start at the level of the work place, the shop floor or the office, the particular assembly line, plant or branch in which they work. They see how this relates to the firm for which they work. They see further how this firm fits into the particular industry in which they work

TUC Economic Review 1975 para 70

So, in the TUC's view, economic issues are not just questions of national policy such as the Budget. There are different levels of involvement for unions— and the work place and company level is a key one that can't be ignored. At the level of industrial planning and regional planning there is already trade union representation on bodies such as the National Economic Development Council (Neddy) and its sub-committees; the Manpower Services Commission; and the Regional Industrial Development Boards. But the key issue for most ordinary trade unionists will be how their company makes decisions, and how they can have a bigger influence over them. And in the last analysis national economic policies only have effect through actions and declarations made in individual companies. So economics isn't just about *them*, it's about *us* as well.

Now re-read this chapter, section by section, stopping to note down your own responses to the questions raised, the further sources of information you want to obtain or ask your union about, and the points you think worth discussing with your union colleagues and members.

Productive or non-productive?



Read through these quotations and statements which give you some idea of the issues covered in this chapter:

'The growth of the white collar labour force is one of the most outstanding characteristics of the economic and social development of the twentieth century'.

George Sayers Bain: The Growth of White Collar Unionism

'Our members are the people who plan, provide and administer the whole range of local Government. Education, health, water, gas, electricity, new towns, public housing, consumer protection, social services, in fact all the services which are so often taken for granted, but which together make up the fabric and quality of the lives of most of our citizens'.

NALGO, 'Save Your Services'

'Successive Governments have allowed vast numbers of workers to move out of industry and into various service occupations where they still consume industrial products and produce none themselves'.

Robert Bacon/Walter Eltis, 'How we went wrong', Sunday Times Nov. '75

Introductory note

Great care is needed when making generalisations about different groups of people at work. It can be very confusing and misleading for example to classify all workers as either productive or non-productive without defining exactly what these terms mean — and some people might even feel insulted if they were called non-productive. There are several other forms of classification; consider the following:-

blue-collar workers	white-collar workers
manual workers	non-manual workers
direct workers	indirect workers
production workers	service workers
works staff	office staff
weekly-paid	monthly-paid
private sector employees	public sector employees

These terms are used in different ways, and they don't always refer to the same groups of workers. The distinction between the private sector and the public sector of the economy in particular, cuts right across many of the other groupings.

When economists and experts talk about productive workers they are usually referring to all workers who contribute either directly to the production of a commodity, such as the steelworker, or indirectly, like the computer operator in a factory or the factory security guard. A feature of this work is that productivity can be increased and a profit made. On this kind of reasoning the lorry driver would also be classed as a productive worker. On the other hand, the computer operator in a bank along with the hospital porter and the hotel doorman, are non-productive, although all

perform important services for the community. So to be 'productive' doesn't mean working with your hands. Many white-collar workers are key productive workers under our definition.

It's important to note that many of the productive jobs are in the public corporations, such as steel and coal mining. It's also worth noting that the terms 'productive' and 'non-productive' are descriptive and do not tell us anything about a particular job's value to society. There are some people who will argue that only productive workers are really making a contribution to the standard of living. But part of the aim of this chapter is to show the *interdependence* of productive and non-productive workers, both of whom contribute to living standards in this country.

Questions for this chapter

- 1 What are the facts about the way the pattern of employment has changed in recent years— (a) in the British economy as a whole and (b) at the level of the industry and firm?
- 2 Why have these changes occurred?
- 3 What are the implications for trade union policies and organisation?

Shifts in Employment in Britain

Since 1961 there have been some important changes in the make-up of employment in Britain. Look at the following figures:

Percentage of Total Employees who worked in:

	1961	1971	1974
Agriculture, forestry and fishing	3.2	1.9	1.8
Manufacturing	38.4	36.4	34.6
Mining and quarrying	3.3	1.8	1.6
Construction	6.6	5.6	5.8
Gas, electricity and water	1.7	1.7	1.5
Transport and communication	7.6	7.1	6.7
Distributive trades	12.4	11.8	12.1
Financial, professional and scientific services	12.6	17.9	19.7
Miscellaneous services (including catering and hotels)	8.2	8.8	9.4
Public administration	5.9	6.8	7.0
Total	100 %	100 %	100 %

Source: Social Trends

The table shows that whereas there has been a decline in the proportion of workers employed in most other sectors, there has been a marked increase in the proportion employed by service sectors, notably 'financial,

professional and scientific services' (risen considerably since 1961), 'miscellaneous services' and 'public administration'. The other important point, which we shall return to in a later section, is that although the key manufacturing sector is still employing over one-third of the labour force, its share of the total obviously fell between 1961 and 1974. So the general point that comes out of these figures is that the trend is for relatively fewer people to be employed in productive industries making things like steel, cars and chemicals and relatively more in providing services like education, health, catering and insurance. What has caused this shift towards employment in services?

A 'Service' Economy

Britain, like other developed industrial societies is rapidly becoming what economists call a 'service' economy. This means that a growing proportion of our national output (and of our exports) consists of services as well as visible manufactured goods. These services are of two kinds—public and private. As living standards rise, people demand and expect more and better public services such as education, health and local government social services of all kinds. This trend towards public provision of services has a number of unique characteristics. As the economist, J.K. Galbraith puts it in his book 'The Affluent Society':

'Once a society has provided itself with food, clothing and shelter, all of which fortuitously lend themselves to private production, purchase and sale, its members begin to desire other things. And a remarkable number of these things do not lend themselves to such production, purchase and sale. They must be provided for everyone if they are to be provided for anyone, and they must be paid for collectively or they cannot be had at all. Such is the case with streets and police and the general advantages of mass literacy and sanitation, the control of epidemics and the common defence'.

Rising living standards also mean that people tend to spend more of their incomes on private services, particularly those to do with leisure, including entertainment, catering services and tourism. The purchase of an expensive product like a car can generate the demand for a whole range of public and private services—financial, such as hire purchase and insurance, and physical, such as car parks, service stations and motorway cafes.



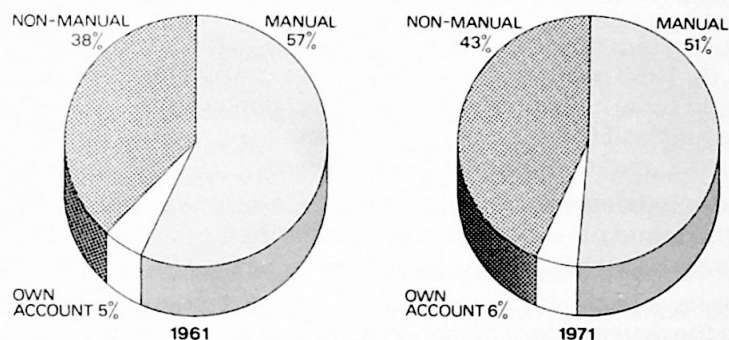
Consider the use which you personally (and your household) make of private and public services. Then think of the ways this helps to employ all kinds of service workers. How much do you spend, for example, on private motoring services each month—hire purchase, insurance, maintenance etc? Now consider your use of public services—education, health and the social services, for example—and the kinds of professional and support workers they employ. How important are such public services in your own standard of living—compared with private possessions such as a car or a colour TV?

We touch here on the important question of the value we attach to public services. This theme has echoes throughout the book and gets special attention in the chapter on wages and taxes.

Occupational Changes

More and more of Britain's 24-million-strong working population are wearing white collars. Accompanying the growth of employment in service industries, there has been a clear shift towards employment in non-manual (or white-collar) jobs and away from manual jobs. The pie-chart below shows the changes in the ten years between 1961 and 1971. Non-manual jobs grew by about 1½ million and their share of total employment rose from 38 per cent to 43 per cent, helped partly by the big increase in the number of women who work part time. Meanwhile employment in manual jobs of all kinds dropped by just over 1 million.

Occupational structure



Here is a more detailed picture of the chief kinds of occupational changes:

Increasing non-manual jobs

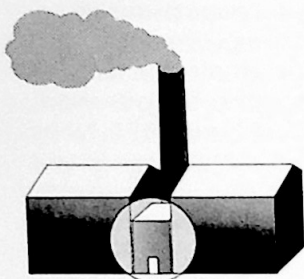
- Employers and managers
- Professional workers (teachers, doctors etc.)
- Junior non-manual workers (e.g. clerks, cashiers and shop assistants)
- Personal service workers (e.g. in hairdressing)
- Foremen and supervisors
- Own-account workers

Declining manual jobs

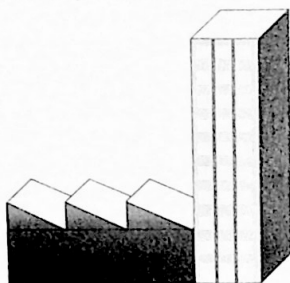
- Skilled manual workers
- Semi-skilled manual workers
- Agricultural workers

Although there has been a slight increase in the numbers of unskilled manual workers in industry, there has been a reduction in skilled jobs across nearly all industries and a similar drop in semi-skilled jobs, mainly in the mining and the clothing and textile industries. Official forecasts by the Department of Employment's Unit for Manpower Studies are that these trends in both manual and non-manual employment will continue into the 1980s, when it is likely that the labour force will be dominated by white-collar workers. This point has already been reached in the USA: by 1969 there were 8½ million more white-collar than blue-collar workers — 36.8 million against 28.2 million.

Changing Job Patterns in Manufacturing Industry



1877 The Counting House
at the Mill



1977 The Modern office block
(with its factory)

Within manufacturing industry itself there has also been a rapid growth of white-collar jobs. By 1963 nearly a quarter of all jobs in manufacturing were white-collar. In some individual industries like chemicals, the proportion was as high as 35 per cent and in engineering it was nearly 30 per cent. The main occupations involved are as follows:

Managers; foremen; scientists; technologists and technicians (including draughtsmen); clerks; and other groups, such as salesmen.

Why have such white-collar jobs increased in manufacturing industry while manual jobs have declined? Two major reasons are technological development and the development of management techniques.

1 Technological development

The introduction of new technologies can lead either to the same output being produced by fewer direct production workers; or it can lead to an increase in indirect workers, particularly scientific and technical support staff; or it can have both effects at the same time. In its report, 'Automation and Technological Change', the TUC has pointed out that technological change affects the demand for particular skills in many ways, bringing the following broad pattern of changes in the structure of labour requirements:-

- Demand for new skills - for example, electronics experts, computer technologists and programmers.
- Need for a generally higher level of skill — for example, a better grasp of precision work, mathematics, engineering, electronics science in general.
- Greater demands for certain kinds of skill — for example, maintenance workers, installation and repairmen, more technical office, service, and white-collar workers.



Has your job been affected by technological change? How have recent technical developments affected other jobs where you work, and how has the overall pattern of jobs changed?

2 Development of management techniques

As a trade union representative, you have probably been faced with negotiations about the use of management techniques in your firm. This is

because, in its attempts to become more effective, management demands more and more information, more detailed plans and budgets, and closer controls. One of the consequences of this development has been an increasing specialisation of labour within the factory and a corresponding growth of office work. Here is how one American writer has described this process:

'A mass of clerical workers has come into existence whose work embraces all that was formerly handled on an informal basis in the shop itself, or on a minimal basis in the small shop offices of the past. Since management now carries on the production process from its desktops, conducting on paper a parallel process that follows and anticipates everything that happens in production itself, an enormous mass of recordkeeping and calculation comes into being. Materials, work in progress, finished inventory, labour, machinery, are subjected to meticulous time and cost accounting. Each step is detailed, recorded and controlled from afar, and worked up into reports that offer a cross-sectional picture at a given moment, often on a daily basis, of the physical processes of production, maintenance, shipment, storage, etc. This work is attended by armies of clerks, data processing equipment, and an office management dedicated to its accomplishment'.

H. Braverman, Labour and Monopoly Capital, Monthly Review Press. 1976



Does this description match your own experience? Consider your own attitudes to office work. Do you see it as an unnecessary bureaucratic burden on production? Or do you see it as essential for planning and coordinating the work of people in different departments of the firm? If you are a direct production worker, consider how dependent you are on accurate paperwork or written instructions supplied by office staff to the shop floor. What would happen to your job if office workers went on strike? If you are an office worker, has your own output ever been measured or scrutinised in the same way as work management techniques are applied on the shop floor?

Public Service Jobs

It was noted at the beginning of the chapter that as a society we have been demanding more and better public services such as education and health. This chart shows the increase in public service employment since 1966:

Increase in public service employment	1966	1970	1974
Education services (e.g. teachers)	1,218,000	1,412,000	1,693,000
Medical and dental (e.g. nurses)	930,000	1,007,000	1,130,000
Local govt. services (e.g. social workers)	828,000	858,000	978,000

This expansion in public service jobs contrasts with a drop of nearly one million in the total number of jobs available in manufacturing industry over the same period.

Summary

To sum up the facts which we have looked at so far:-

- 1 Public and private services have become increasingly important to our living standards and increasingly important sources of employment;
- 2 In the economy as a whole there has been a shift away from manual towards non-manual or white-collar jobs. There has been a similar trend in manufacturing industry itself, brought about by changing technology and management techniques;
- 3 Total employment in the public services has been expanding, while in manufacturing industry it has been declining.

Do These Shifts in Employment Matter?

Trade Unions are concerned with these trends because of their effects on living standards. As a general principle, economists will argue that the national standard of living depends on how many goods and services a man can buy with his take home pay plus his share of the public services provided nationally by the state. An increase in the national standard of living therefore depends on more saleable goods and services being produced per head of the population and/or more public services. Either of these can only take place if the people involved in providing the goods or services have more or better buildings and machinery (investment goods) to work with. These investment goods can only be made by the productive sector of industry. In the past 20 years, the British standard of living has not grown as fast as it has in other western European countries and significantly Britain has not produced the same quantity of investment goods as they have.

How could these factors be connected with the shifts in employment we have noted? Various arguments are possible and they can be complicated. One view is that the balance between industrial and non-industrial employment has swung too far away from industry. This was argued by two economists in a series of articles in the Sunday Times:

'If non-industrial employment grows by one third, as happened after 1962, there must be added pressure on industrial production. With more workers outside industry, more industrial production is required for the consumption of those who play no direct part in producing it. Similarly, more investment outside industry is needed and that also has to be provided from industrial output'.

Bacon and Eltis, Sunday Times Nov. 1975



What do you think of the argument that the non-productive sector of the economy, including public services, is making too big a claim on industrial production, and is diverting too big a share of investment goods and manpower away from industry? Should government spending on public services be cut (with a corresponding loss of jobs) in order to release more resources and manpower for industry? Or is the real problem that businessmen in manufacturing industry have failed to invest not because they lacked manpower or funds but because there was

no prospect of a stable and profitable market which would make their investment worthwhile?

Union Policies

Two of the key objectives of trade unions noted in Chapter 1 were improved social security and improved public and social services (in other words a bigger social wage) but there has to be a choice between these public benefits and services and *private* consumption, as they come from the same national 'cake' which can only be increased by productive industry. The balance between productive industry and the service sector of the economy is therefore of concern to unions because of its crucial importance for living standards. Over the last few years unions have shown growing concern over the decline of manufacturing industry in Britain, including unions in the public sector. Look at these quotations from NUPE and NALGO on this point:

'The major structural fault in the economy is the decline of British manufacturing industry, which is the primary source of the national income'.

NUPE: 'Inflation: Attack or Retreat'

'Over the past twenty years the proportion of gross domestic product devoted to gross fixed investment in the manufacturing industry has fluctuated between 3.8 % and 5.0 %, according to the stage of the economic cycle. By international standards these are low figures and they have resulted in large parts of British industry being saddled with old and unproductive plant. The consequence of this low level of investment has been the low rate of growth of the British economy and the tendency to run balance of payments deficits during boom periods because industry is unable to meet demand. From the point of view of much of public expenditure it is essential that the productive parts of both the public and private sectors are in a healthy state to support what may be termed the unproductive parts of the economy (the distinction does not mean it is worse). At a simple level the work of teachers, social workers, planners and policemen is no less socially useful than that of farmworkers, steelmen, and car workers, but the output of the latter provides the consumption of the former both directly and by providing the means for Britain's imports'.

NALGO: Economic Review

This chapter has been concerned with a general economic trend — a trend which has a large number of policy implications. The other chapters, on the right to work, changing jobs, wages and taxes, and the social contract, all develop some of the policy issues raised by this chapter. But one important issue is not looked at in other chapters — the implications of the changing job pattern for trade union organisation.

Trade Union Organisation

The growing number of white-collar and non-manual jobs of all types has posed particular problems for union organisation. Unions have had to make special efforts in recent years to organise among these new occupations. They have done this with very great success.

Look at the following figures; they show membership growth of some white-collar unions. Much of this growth has taken place at a time when many of the strongly unionised parts of the economy were losing jobs.

Membership of some white-collar unions 1971-74

Membership (000s)

	1971	1972	1973	1974
ASTMS	220	250	280	310
APEX	125	118	121	137
CPSA	185	188	208	216
COHSE	90	103	113	121
NALGO	440	464	498	518

Source: TUC Annual Reports

The table shows unions that cater only for white-collar workers. But many of the traditional manual worker unions have also responded to these changing employment trends by opening up special sections for white-collar workers. For example the TGWU has its own special section ACTSS, and the GMWU has MATSA.



Has your union made any changes in its structure or recruitment policies in response to these changes in employment patterns? Do you know what has happened to the membership of your union over the last five years?

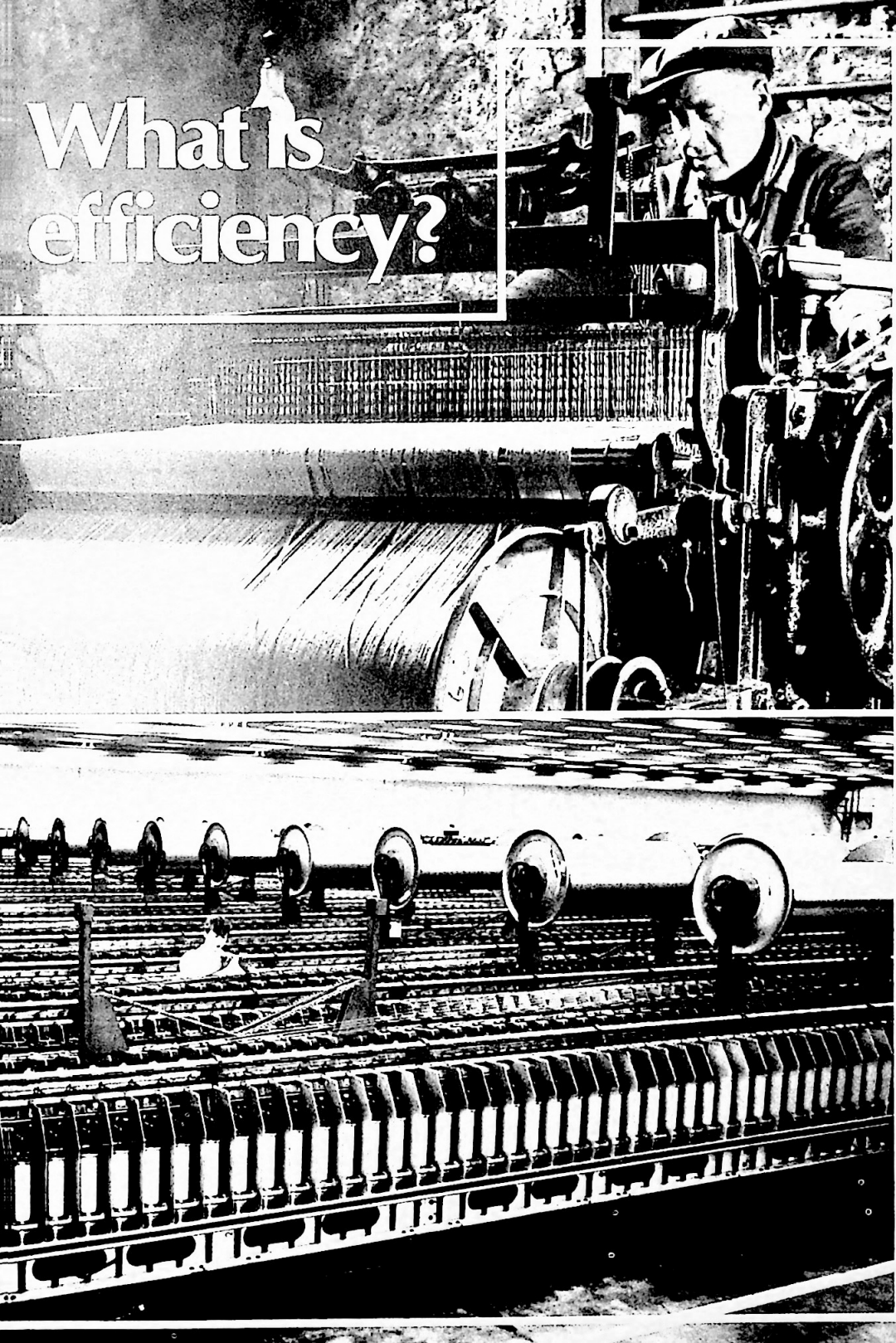
Some trade unionists argue that there is a growing similarity between the situation of the non-manual worker and the manual worker. Insecurity, redundancy and unemployment are common to both groups. A further development in some industries has been the achievement of staff status by groups of manual workers. Yet there is a widely held view that the interests of white-collar and manual workers are quite distinct. This view is often reinforced by physical arrangements (such as separate toilets and canteens) and by management policies (starting times, sick pay and pension arrangements). In terms of union organisation and policy this has often meant very low levels of co-operation and solidarity between white-collar and manual groupings.



What's the situation like where you work? Do you feel the interests of these groups are quite separate, or can you see common problems? What kind of co-operation and joint approaches to policy exist where you work; for example do you have a joint shop stewards committee representing both manual workers and white-collar workers?

Now please re-read this chapter, section by section, making notes of your answers to the questions and of points to discuss with your colleagues.

What Is efficiency?



Read through these quotations which give you an idea of some of the issues and conflicting viewpoints involved when we talk about words like efficiency and productivity. Then look carefully at the questions which follow.

'With the same power at his elbow and doing the same job as his continental counterpart a British car assembly worker produces only half as much output per shift'.

The Future of the British Car Industry, Report by Central Policy Review Staff. HMSO 1975

'Output per worker is lower in British industry, and our rate of increase less, than in our major competitors, leading to higher costs and prices. This is the result of years of slow growth and under-investment, coupled with the failure of managements to promote industrial democracy through joint planning and control'.

Labour and Industry: The Next Steps, a statement by the NEC presented to the Labour Party Annual Conference, Blackpool 1975

'Productivity deals are associated with redundancy both as a cause and effect'.

The Employer's Offensive: Productivity Deals and How to Fight Them. Tony Cliff

'... higher wages depend on growth, and growth is essential to cutting unemployment. As part of this settlement let us enter into a joint declaration on planned growth, on a high-wage-high-productivity economy'.

A positive Employment Programme for ICI by John Miller, TGWU, on behalf of ICI signatory trade unions

Questions for this chapter

- 1 What do we mean by efficiency?
- 2 Just *why* is productivity lower in Britain than in some other countries?
- 3 Is it just a question of British workers being lazy or strike prone?
- 4 Or do management bear some responsibility in terms of their investment policies and general management of resources within their factories?
- 5 What do productivity and efficiency mean for trade unionists — are they the key to full employment and higher living standards, or do they spell the dole queue for some and an unacceptable intensification of work levels for others?

What do we mean by efficiency?

Efficiency in a general sense refers to how effectively we use the resources of labour, materials and machinery to produce a given amount of goods or

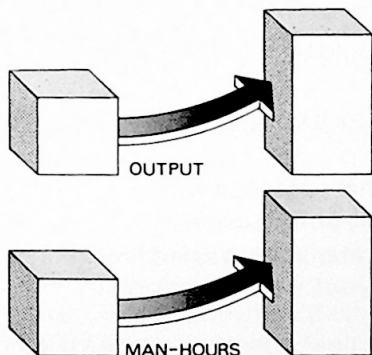
services. Efficiency is normally measured in terms of *productivity*, and this is what the TUC booklet on 'Productivity Bargaining' has to say about this term:

'Productivity is defined as the ratio of input to output. In other words, how much effort, equipment or material has to be used to get a given quantity of goods or services'.

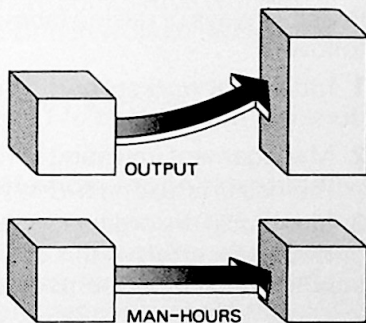
Most discussions about productivity tend to focus rather narrowly on the question of *labour productivity*— in other words, *how long a given number of people need to work to produce a given amount of output*. The key factors determining productivity viewed in this way are output and manhours and the relationship between them. And although in the course of this chapter we will move towards a wider approach to productivity and efficiency, we will take this relationship between output and manhours as our starting point.

Look carefully at the following diagram which sets out visually how the changing relationship between these two factors affects productivity. Before you read on with the text, see if you can work out from the diagram why productivity has remained the same in some instances, increased in others, and decreased in the last.

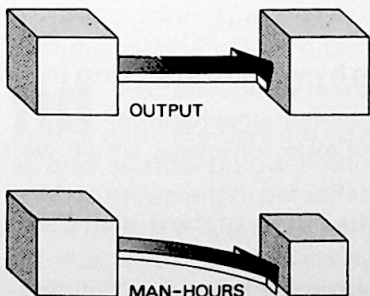
1 Productivity unchanged



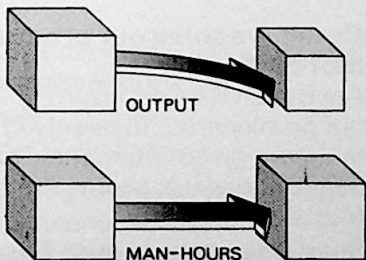
2 Productivity increased



3 Productivity increased



4 Productivity reduced.



The first example illustrates that if you produce more by simply working longer — (say by putting in more overtime) — then productivity is not affected, although output will have risen. On the other hand, if you produce more while working the *same* number of hours, then both output *and* productivity have risen. This is the situation illustrated in the second example in the diagram. Equally it is possible, as the third example shows, for an increase in productivity to take place when there is *no* increase in output if the same amount of output is produced in a smaller number of manhours. The fourth example illustrates yet another possibility — of a *fall* in productivity taking place since a lower amount of output is produced by the *same* number of people working the *same* number of hours.

The message of that diagram is that increases in productivity are the result of more goods and services being produced by the same number of people in the same amount of time, or a stable quantity of goods and services being produced by fewer people in less time. But what really lies behind these increases in productivity? What changes in the way people work and in the way work is organised might lead to more goods being produced in the same amount of time or the same amount of goods being produced in a shorter time?



Try noting down your immediate response to this question, drawing on your own experience, before looking at the next paragraph.

Raising labour productivity

Possible ways of raising labour productivity could be listed very simply as follows:

- 1** Individual workers putting in more effort — for example, getting a job done in 1 hour instead of $1\frac{1}{2}$ hours.
- 2** Management investing in new machinery that enables a worker, without exerting any more effort, to increase his output.
- 3** Improving the organisation of work so as to eliminate wasted time or unnecessary effort — this could affect work layout, co-ordination of supplies and components and so on.

All three methods, of course, could mean reducing the number of jobs. We discuss this issue later in this chapter, and in Chapter 5, *New Jobs for Old*. Let's look now at the kind of contribution that could or should be made by these various approaches.

Could we solve our productivity problem by workers putting in more effort?

Are British workers lazy? The impression given by the media is often that all our problems could be solved if only British workers would work as hard as their foreign counterparts. This view was also reflected in the quote at the beginning of this chapter from the report on 'The Future of the British Car Industry'.

But is it as simple as this? Think for a moment about the following

quotation from the TUC evidence to the Donovan Commission, 'Trade Unionism':

'... it is mistaken to imagine that higher productivity is mainly a matter of people working harder. The term "labour productivity" as a measure of labour's contribution can be very misleading. Historically, it must be obvious that people don't work harder today than they did a hundred years ago, yet living standards are several times higher'.

Certainly the idea that all our problems would be solved if only workers worked harder is by no means universally accepted, either by trade unionists or by industrialists, as the following quotations concerned particularly with the motor industry indicate:

'If it is really true that workers in continental car plants work twice as hard as in British car plants ... then the continental workers are being sweated into working twice as hard as is reasonable. When such situations are exposed in Hong Kong or South Africa, efforts are made to develop trade unionism to the point where sweating stops and work loads are brought down to reasonable levels. Bearing in mind that the majority of continental car factories are manned largely by "guest workers" from other countries, few of whom are organised in trade unions, it may be necessary for the British Trade Union movement to take steps, through the ILO and otherwise to correct the exploitation that is allegedly taking place. Certainly it would be wrong to assume that where continental workers work harder there is a case for speeding up the British worker, rather than the reverse'.

The British Motor Vehicle Industry: A Trade Union Response, AUEW (TASS) 1976

'We do not subscribe to the view that all the ills of British Leyland can be laid at the door of a strike-prone and work-shy labour force. While BL has suffered seriously from interruptions to production, these have often been the result of factors outside the control of BL's work force — breakdowns in plant and equipment, faulty scheduling, shortages of materials and components, and external industrial disputes ... similarly one of the main reasons why BL workers produce less than workers at Fiat or Volkswagen is that so much less has been spent by BL on plant and machinery'.

'British Leyland: The Next Decade' report presented to Secretary of State for Industry by Sir Don Ryder, April 1975



Read through the two quotations and try and summarise briefly for yourself the arguments they are making before reading on with the text.

How do the arguments relate to your work situation?

These quotations question the idea of the work-shy British worker on two grounds. The first suggests that it may be *foreign* workers who are *exploited*, rather than *British* workers who are *lazy*. The second points to

other vital factors affecting productivity — namely work organisation and investment levels — and suggests that these are more important than the amount of effort put in by individual workers.

This view that investment on machinery, and the quality of management organisation are the vital factors effecting productivity is advanced by the TGWU in their booklet on 'Plant and Productivity Bargaining':

'The major ingredients in raising productivity levels are (1) The capital equipment, plant, machinery etc. provided and (2) The quality of management and its ability to plan the best use of available resources'.

2 Investment in plant and machinery

There is no doubt that the level of investment on plant and machinery in the UK has lagged far behind that of many of our competitors, and that consequently machinery in British factories and offices is often inefficient and technologically outmoded. This is bound to affect productivity.

NALGO have made this point clearly in their 1976 Economic Review:

'During the 1960s and early 1970s total investment per head in the UK, both public and private, has been less than half that in the United States. Where manufacturing investment is concerned, over the five year period 1968-71 it was less than half the level in Japan, and only two-thirds the level in Germany'.

As NALGO go on to point out, this has resulted 'in large parts of British industry being saddled with old and unproductive plant'. The extent to which plant and machinery in the UK are outdated and inefficient compared with that of our competitors has been spelt out by the TUC:

'The more resources a country devotes to fixed capital investment, the more up to date its capital equipment is likely to be. According to a survey by *Metalworking Production* only 41 % of machine tools in use in Britain were under 10 years old in 1971; this compares with estimates of a minimum of 63 % for Japan, 65 % for West Germany and 50 % for Italy . . . There is some reason to believe that on average machine tools in the US (and also in Germany, France and Japan) are more technically up-to-date than UK machine tools, even if they are the same age'.

TUC Economic Review, 1975



Do you have to cope with out-dated machinery that slows down the job?
How much does your employer invest in renewing existing plant and machinery or introducing new plant and machinery?

Has this increased or decreased in recent years?

Have you ever tried to get hold of such information?

Why has there been such a low level of capital investment in this country? Some economists argue that the lack of investment has been the result of insufficient profits — a key source of finance for investment. Unions have pointed out that in the past high profits have not always been reinvested in industry and have been used for other purposes.

3 Work organisation and management

This was the third factor listed earlier in connection with raising productivity. The importance of work organisation in affecting productivity levels was strikingly illustrated by a situation at British Leyland in 1975. Senior Management issued an ultimatum to 'lazy' workers (given high publicity in the newspapers) to pull their socks up and reach their production targets, or be sent home. At the same time however, a report produced jointly by shop stewards and management indicated that the reasons *why* production targets were not being met were far more complex. As the newspaper report reproduced overleaf shows, bad lay-out of work and poor quality of components were major factors explaining the poor production levels.



In your view are there examples in your own experience of bad management and work organisation restricting production?

Are you held up by machine breakdowns, shortages of components, irregular work flow, poor coordination between departments?

How would you rate the importance of these factors compared with the effect of

A group of British trade unionists visiting a French car factory recently stressed the importance of better management and work organisation in leading to higher levels of productivity. They commented that 'in general the tempo of work did not seem to be much different to British car plants and lower in some cases' but were impressed by 'the high level of maintenance services to get over track breakdowns'. Their overall conclusion was that 'continuity and even work flow would appear to be the main ingredients contributing to the high level of production'.

Record, TGWU, May 1976



What should the union attitude be to these questions of efficient work organisation?

Is it purely a management problem?

Is there a role for joint management/union production committees to monitor such issues?

In British Leyland, Joint Management Committees have recently been established in each plant, and these committees are concerned, among other things, to work out 'more efficient means and methods of production and improvements in the working environment of the plant'.

Poor quality components blamed by Cowley probe

BY ROY ROGERS IN COWLEY

THE QUALITY and design of key components is blamed for poor production levels of British Leyland's new Princess range of cars according to the findings of a joint management-union inquiry.

The inquiry, held over the past two weeks, was carried out by two shop stewards and two management representatives after a confrontation last month when a letter from the management to workers at Leyland's assembly plant at Cowley, Oxford, complained of very low production levels.

Disclosed yesterday, just a few days after Mr. Des North, director of the Cowley North works, issued his "work harder or be sent home" ultimatum on Friday, the report tells of "numerous examples of materials of poor quality or unsatisfactory design."

Supervisors and operators who pointed out these faults were completely frustrated at the apparent inability of those concerned to rectify their complaints, says the report.

The main complaints in respect of body shells were the line up of drill holes, the position of nuts, spot welding problems and the receipt of wet and filthy bodies.

Track layout was also becoming a "very acute problem," especially for the left-hand drive version of the Princess models and further production losses occurred because materials were not replaced beside the production line.

Lack of quick replacement of automatic tools caused serious problems for production as did malfunctions of plant. Congestion in the Princess stores area also impaired production, adds the report, blaming a lack of supervision for leading to a situation where materials were stored for a considerable time without being rotated and, therefore, were often dirty by the time they reached the production line.

The inquiry team found that operator error also had an effect on output, but noted that it had improved recently.

The errors are partly explained by a continuing change of labour on the Princess line and the lack of positive identification of component parts.

Abnormally high absenteeism on the Princess line is also picked out as a "serious problem," but the team discovered that workers who were continually absent without giving reasons were not approached by supervisors for an explanation on their return.

In addition, when supervisors were absent replacements were not always available.

The inquiry team's conclusions include recommendations for a new inspection procedure, reorganising the stores area, earlier labelling of components, especially bodies, and allowing workers to smoke at work were practicable.

The report, stressing the need for urgent action to resolve the problems, praises the general attitude of Cowley workers and supervisors towards the investigation. All were "very responsive" except a small minority who refused to co-operate.

Why is productivity important for trade unionists?

An obvious question to ask is: does it *really* matter if output per worker here is lower than in some other competitor countries? In terms of trade union concern with members' living standards, it can be argued that it *does* matter, since there is a strong link between high productivity or high output per worker and high wages. This emerges clearly if you look at the following data on the Japanese and UK motor cycle industries:

	UK (NVT)	Japan (Honda)
Average monthly Wage	£203	£296
Output per man year	10-18 Bikes	100 Bikes

Source: *Strategy Alternatives for the British Motorcycle Industry*, HMSO

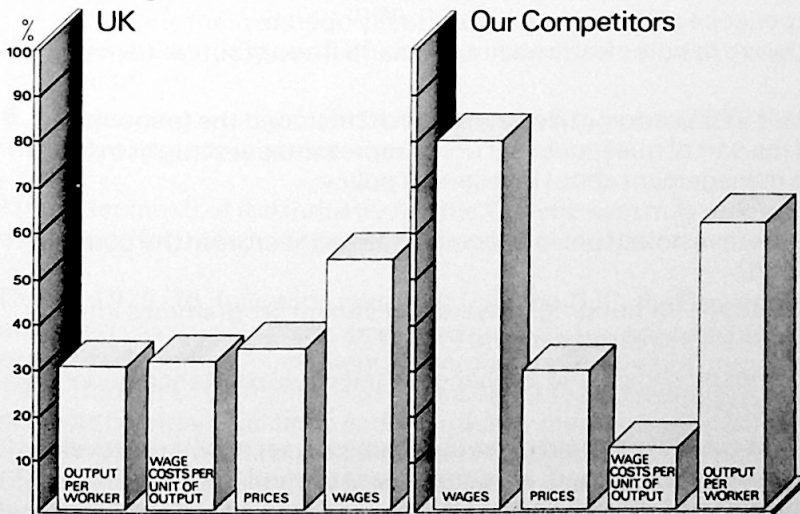
These figures show the importance of *wage costs per unit of output*. Where output is *high* in Japan, unit costs are considerably lower, even if *wages* are higher. *Unit costs* in the UK example would be much higher, and this would usually result in higher prices for the product, which in turn tends to make the product less competitive. ('Unit costs' are further explained in the note on page 45). The importance of *unit costs* is stressed by the TUC:

'... our problems do not derive from the fact that wages in Britain are high. By American, Swedish or, in many instances, German standards, they are not. Wage costs per unit of output depend, by definition, on output as much as on wages'.

TUC 'Trade Unionism'

An International Comparison 1963-70

Based on figures from Peter Donaldson's *Illustrated Economics*



If you examine the international comparison, the relationship between output, wages, wage costs per unit of output and prices becomes clear. You will notice that the link between high productivity and high wages in our competitor countries is very marked. You will also see that in spite of the high wages in our competitor countries, prices are *lower* than in the UK on average. This means that UK goods will be less competitive, will be less in demand, and ultimately UK jobs may be threatened. So there are two very good reasons why trade unionists should be concerned with increased productivity: low productivity can mean—both low wages *and* insecure jobs.

Union policy and productivity

A Workplace and company level

In the 1960s, productivity agreements were very much to do with eliminating tea breaks and reducing job demarcation. But it should be clear by now that this is too narrow an approach to really tackle the roots of Britain's productivity problem. Unions need to bring a much wider range of management policy, stretching from work organisation to investment levels, into the bargaining process.

Looked at in this way, 'the effect of productivity agreement is to extend the role of negotiations to cover at least some of the issues that are normally regarded as "management prerogatives"'. .

TUC 'Productivity Bargaining'

In the 1975 Economic Review the TUC criticised management-union agreements 'based on a narrow concept of labour productivity viewed as increased individual effort by workers' and urged instead agreements 'preparing the way for more rapid output growth by facilitating the introduction, and most efficient use of, productive investment. With their practical experience as the people who actually operate plant and equipment, work people clearly have a substantial contribution to make in this area'.

As part of the 1976 Economic Review, the TUC included the following checklist of the sort of questions that union representatives ought to be raising with management about investment policy:

- 1** What are the investment plans of companies and sectors in the coming five year period?
- 2** What is the scope for bringing forward investment programmes into 1976 to prepare for increased demand for 1977?
- 3** Has the company considered applying for selective assistance under an Industry Act scheme?
- 4** Union representatives should press companies to set maximum levels of investment taking place abroad; are companies satisfied that investment would not be more worthwhile in the UK?

5 What is the age of capital equipment in companies? Union representatives should press for an inventory in each company; where the average age of plant and machinery is above that of the most efficient 20 % of firms there is a prime facie case for new investment.



How important is it for you to discuss these questions with *your* Management?

What problems and priorities does your union have in supplying the education and training needed to make sense of such information?

Union intervention at national and sectoral level

The decisions and policies of individual companies are obviously of key importance in determining productivity and efficiency. But unions can also intervene at other levels of the economy to promote a more efficient and productive use of resources.

B National level

At national level, the TUC have consistently pressed the Government to play a more active role in encouraging investment in industry, using Government powers under the Industry Act 1972.

Under Section 7 of the Industry Act, the Government may provide financial assistance for undertakings wholly or mainly in the assisted areas where the assistance is likely to provide, maintain or safeguard employment in those areas. Financial assistance may be provided for the purpose of—

- 1 promoting the development or modernisation of an industry
- 2 promoting the efficiency of industry
- 3 creating, expanding or sustaining productive capacity in an industry, or in undertakings in an industry
- 4 promoting the reconstruction, reorganisation or reconversion of an industry or of undertakings in an industry
- 5 encouraging the growth of, or the proper distribution of undertakings in an industry
- 6 encouraging arrangements for ensuring that any contraction of an industry proceeds in an orderly way

Under section 8 of the Industry Act the Government may provide financial assistance for industry in general when it is in the national interest to do so.

During 1975-76, following pressures from the TUC, the Government has allocated vastly increased sums of money for use under the Industry Act, in order to encourage investment and higher productivity in industry. In the 1975 Budget £100 million was allocated for the acceleration of capital projects by individual firms and for industry modernisation schemes. In September 1975 a further £80 million was allocated, followed by a further £55 million in February 1976, for similar purposes under Section 8 of the Industry Act. Part of this money has been allocated to special Industry Act

Schemes in specific industries or sectors— for example, ferrous foundries, paper and board, wool textiles.



Is there an Industry Act Scheme for your industry?

Has your company applied for or received any grants or assistance under the Industry Act in recent years?

An important forum for influencing policy at national level is the National Economic Development Council on which the trade unions are represented along with employers and government. It was in this body that agreement on the current Industrial Strategy was reached. As the TUC explained in the 1976 Economic Review:

'the aim of the strategy is to put Britain on the path to a high-wage, high-output, full employment economy, by improving productive potential and the performance of manufacturing industry in particular'.

C Sector or industry level

Unions can influence developments here through representation on Economic Development Committees. These were created at the time of the 1965 National Plan and have continued to function as a forum for monitoring and discussing the performance and problems of particular industries and sectors. EDCs have an important role, supplemented by special working parties on which trade unions are also represented, in the Industrial Strategy developed in 1976. 32 sectors have been selected for special attention as part of the industrial strategy, representing 60 per cent of manufacturing output.

The 32 sectors are: food; drink; mineral oil refining; organic chemicals, pharmaceuticals; synthetic resins and plastics; iron and steel and steel tubes; ferrous foundries; non-ferrous foundries; metal-working machine tools; pumps, valves and compressors; industrial engines; mechanical machinery; construction and earth moving equipment; industrial plant and steel work; mechanical engineering and metal industries; scientific and industrial instruments and systems, electrical machinery, radio and electronic components; electronic computers; radio, radar and electronic capital goods; domestic electrical appliances; shipbuilding and marine engineering; motor vehicles; aerospace equipment; production of man-made fibres; woollen and worsted industries; hosiery and knitwear; rubber industries; clothing industry; paper and board.

Each EDC or working party covering these sectors is being asked to:

- 1 'develop agreed and realistic objectives for improvement in the prospects of that sector;
- 2 draw up a realistic programme for the achievement of these objectives;
- 3 propose suitable performance indicators to assess progress;
- 4 identify specific points for action by Government, management or

unions which will improve the competitive position of the sector and allow it to meet a larger share of the available demand both at home and abroad'.

TUC Economic Review 1976



Does your company fall within any of the 32 sectors listed above?

Is your company represented, either on the management or trade union side, on any of the newly established sector working parties?

Policy Problems

Are high productivity and efficiency always in the best interest of the workers?

Investment in new productive capital equipment doesn't always have beneficial results for workers. It can bring new pressures like shift work, deskilled and boring jobs, and increased work tempo. A study of the use of computers for electronic data processing in offices found that 'About $\frac{2}{3}$ of all EDP installations were doing shift work' and forecast that 'The trend towards using computers more fully is expected to continue and this will extend the operation of 3 shift systems'.

Manpower Paper no. 12, Dept. of Employment, 'Computers in offices' 1972

Shift working can be used as a way of increasing the productivity of *capital*, when it is in the form of expensive new machinery.

The introduction of new machinery can affect people's work experience in other ways.

A TASS study on the introduction of computer-aided design equipment found that 'in practice some of the most highly skilled jobs on the shop floor are permanently eliminated and the machine-setting function is transferred to white-collar workers in the drawing office, whilst the operation of the machines is handed over to semi-skilled workers. It is therefore imperative that when this kind of equipment is being introduced our members should discuss it fully with the shop stewards' committee and only agree to its introduction when they are satisfied that their members interests on the shop floor have been safeguarded'.

TASS: Computer Aided Design,

Trade union policy to the introduction of new machinery was dealt with in the chapter on 'Reorganisation at work' in Book One, and is picked up again in the later chapter: 'New Jobs for Old'.

Is investment a threat to jobs?

The main worry of many trade unionists is that new investment is a threat to jobs— machines will replace people. But is this necessarily so?

'In 1974 Chrysler UK invested £15 per employee in plant, machinery and equipment.

In 1974 Ford invested £430 per employee in plant, machinery and equipment'.

'The Future of British Leyland and the Motor Industry', prepared by the Labour Research Department for the British Leyland Trade Union Committee

Whose jobs were safer - the workers' at Chrysler or the workers' at Ford?

The effect of investment on jobs will in practice depend on the *type* of investment, as the following examples indicate:

- investment in new factory — creates more jobs
- expanding existing capacity to meet expanding demand — creates more jobs
- investment in developing a new product line — creates jobs
- introducing new capital-intensive technology which results in capital replacing labour — threatens jobs unless demand is expanding
- rationalisation of production units — threatens jobs.



The important question for trade unionists is, what attitude should they take when jobs are threatened?

Will restricting new investment save jobs, or does the industry just become uncompetitive resulting in greater loss of jobs?

Should unions cooperate in new investment and concentrate on adequate compensation, retraining, and relocation for displaced members?

What lessons have you learned from facing these policy choices in your workplace?

If unions decide to adopt the second approach, this again highlights the importance of extending collective bargaining within an enterprise, so that it should cover wider aspects of management policy, particularly on issues like manpower planning and training.

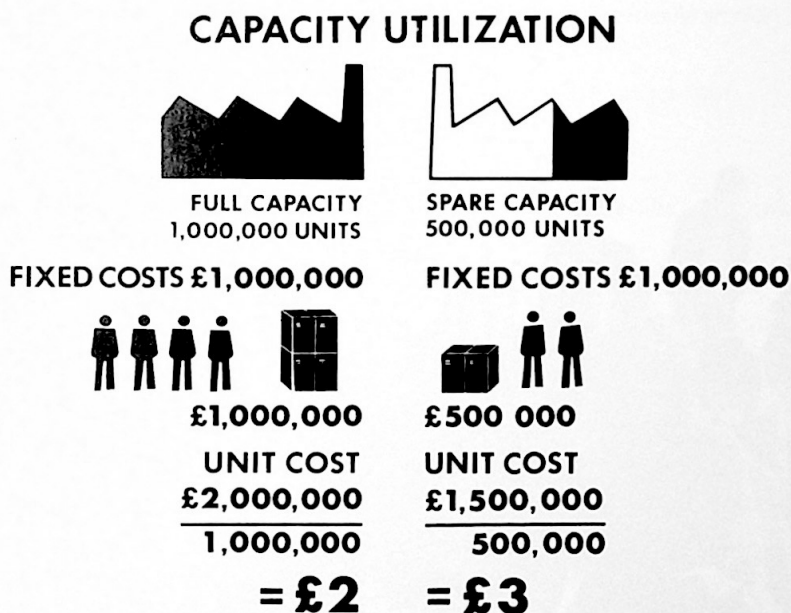
One framework in which to discuss such policies might be a planning agreement. Basically a planning agreement is a three-cornered agreement between Government, management and unions about the future policy plan of a company. You will meet the idea again in later chapters. In a draft planning agreement, ASTMS suggests the following clause on manpower:

'It has been agreed that there will be no involuntary redundancies. In plants where product lines are to be run down or new labour-saving investment made, any potential surplus of employees will be dealt with by (a) natural wastage and restriction of new recruitment; (b) voluntary early retirement plans, the terms of which will be negotiated between the management of appropriate unions; and (c) alternative employment within the groups on terms and conditions to be negotiated between management and the appropriate unions'.

'The Crisis in British Economic Planning and a Draft Planning Agreement: A Discussion paper' ASTMS 1975

Clearly this problem of the effects of technological change on job security is bound up with the whole question of the right to work in an economy that is changing and not static, and how trade unions can achieve this objective. The next two chapters on 'The Right to Work' and 'New Jobs for Old' take up this issue further. It is something that can be dealt with fully in one chapter.

Note: In talking about efficiency, whether at plant or office level, or in terms of the British economy as a whole, the key concepts are 'productivity' (see page 33), 'capacity utilization' and 'unit costs'. In the programme 'What is Efficiency?' this was the simplified example given to explain these last two terms:



As you can see, the factory on the right, operating at half capacity and making only half the units of output, has labour and materials costs of £500,000—that is half those of the factory operating at full capacity. But the *fixed costs* (interest on loans to set up the factory, maintenance of machinery, etc.) are the same for both. So the *unit cost*, the cost of each unit of output, will be higher simply because of the lower *capacity utilization*. So high unit costs may have little to do with the amount of effort put in by the workforce—the real need for the factory on the right is to find new markets.

Now re-read this chapter, section by section, stopping to note down your own responses to the questions raised, the further sources of information you want to obtain or ask your union about, and the points you think worth discussing with your union colleagues and members.

The right to work



This chapter further develops issues raised in the chapter on 'Redundancy' in *Trade Union Studies—Book One*.

Read through these quotations which give you some idea of the issues involved when talking about the right to work, then look carefully at the questions which follow:

'The increase in unemployment had already begun, scarcely noticed, in 1966, but in 1971 there was a sudden alarming rise in the numbers of able-bodied men who had been out of work for over two months . . . It looked as though in future we must expect a smaller work force of more skilled workers, while larger and larger numbers of people would become permanently excluded from work'.

Workless - some unemployed men and their families, Dennis Marsden and Evan Duff, Pelican books

'I take the view that the existing figures underestimate rather than exaggerate the true level of unemployment'.

Len Murray

'Despite the record level of unemployment many companies are short of certain types of skilled workers'.

Len Murray

'Unemployment must not be used as a means of combating inflation.'

USDAW Executive Council

Questions for this chapter

- Is unemployment the fault of the individual worker or is the economic system to blame?
- Why are the chances of being out of work much greater in some areas than in others? And greater in some industries than in others?
- Why is there a shortage of some categories of worker, while other groups are on the dole?
- What policies on jobs should unions demand from Government?

What is the right to work?

Here are some questions to consider when thinking about the meaning of the right to work.

- Does the right to work mean providing jobs for all who want them?
- What about people who may not be able to enforce their right to work without special help from society—the disabled, the illiterates, young people without skills, immigrant workers, those with mental illnesses?
- Does the right to work mean that all workers will stay in the same jobs, do the same kind of work, remain in the same place all of their working lives? How much responsibility should the individual worker have for finding a job — even if it involves moving to take up new job opportunities?

● Is the right to work a meaningless demand unless unions also press for adequate training and educational programmes? May unions be involved in altering their own rules where these place unnecessary restrictions on workers entering training courses for skilled work?

● Above all, how far does full employment depend on Government action?

'Full employment involves the Government accepting a responsibility for creating conditions in which a wide range of suitable employment opportunities are available for people to choose from.'

TUC — Trade Unionism

● Could more direct trade union action contribute to full employment? One recent example of this is from the aerospace industry. Workers at the Lucas Aerospace Company have been faced with considerable uncertainty about jobs, and the combine shop stewards committee has produced its own corporate plan.

'The object of the corporate plan is two-fold. Firstly, to protect our members' right to work by proposing a range of alternative products on which they could become engaged in the event of further cut-backs in the aerospace industry. Secondly, to ensure that among the alternative products proposed are a number which could be socially useful to the community at large.'

Lucas Aerospace Combine Shop Stewards Committee — Corporate Plan

Why is full employment so important ?

Now let's have a look at *why* the jobs issue is such an important one for unions, apart from the obvious fact that people without work often suffer a sharp decline in the standard of living of themselves and their families.

Unemployment is demoralising

'You start to lose your standards, I think you do, don't you? And you put up with things that you wouldn't normally and your standards start to die down all the time, you know '

Unemployed worker quoted in 'Workless' by Marsden and Duff

A waste of the Nations Resources

'Industrial capacity is currently being destroyed, with every set of bankruptcies or factory closures future potential to produce is being lost.'

TUC Economic Review 1976

The National costs are high

'It has been estimated that it would cost £900m in unemployment and social security benefits if there were 1 million unemployed. In addition to this, Government redundancy payments have to be included and an estimate made of the loss of revenue to the Exchequer from income tax and national insurance contributions, which would have been payable if the unemployed had in fact been at work.'

TUC Economic Review 1975

Here is a detailed example of this last point. The cost to the state (in 1975) of a married man with two dependant children, earning £3,000 per year and having worked for 20 years who became unemployed:

Loss of income tax.....	£ 569
Loss of national insurance contributions, employees.....	£ 165
Loss of national insurance contributions, employers	£ 255
Cost of flat rate unemployment benefit.....	£1285
Cost of earnings related benefit.....	£ 244
Cost of supplementary benefit	£ 92
Cost of redundancy pay	£ 577
Total	£3187

Who is out of Work ?

Unemployment in selected industries, March 1976 (UK):

Agriculture.....	25,581
Textiles, clothing and leather.....	53,163
Shipbuilding.....	8,966
Mining and quarrying	17,614
Metal manufacturing	26,192
Mechanical engineering.....	42,503
Instrument engineering	4,778
Electrical engineering	32,229
Metal goods.....	38,377
Vehicles	31,408
Construction	228,065
Gas, electricity and water.....	8,856
Transport and Communication	65,411
Distributive trades	131,713
Miscellaneous services.....	139,836
Total all industries and services 1,284,905 (March 1976)	

Source: D.E. Gazette, April 1976.



How has unemployment in your own industry changed since then? Has it gone up or down? Why not look it up in the D.E. Gazette? (See page 124).

Who are the worst hit groups ?

1 Women. Between January and September 1975, whilst unemployment for men went up 48 per cent, for women it went up 121 per cent. This is the official picture, but many don't register.

One in every five women is the sole breadwinner for her family — so much for the 'pin money' arguments.

2 Blacks. Between November 1973 and May 1975 overall unemployment rose by 65 per cent. Unemployment among blacks rose 156 per cent. Black women were losing their jobs three times faster than white women and nine times as fast as white men. A third of unemployed black men were under 25.

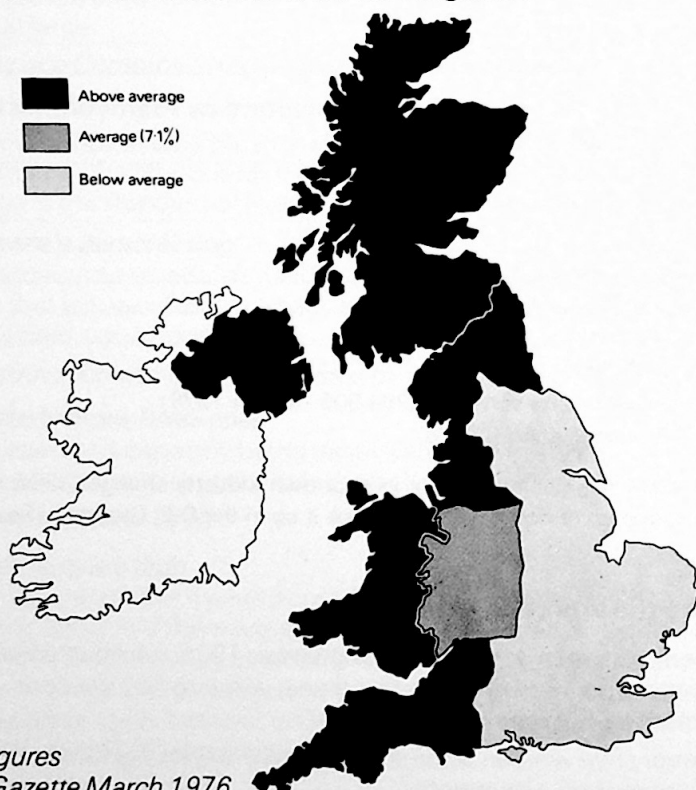
3 Under 25s. In January 1976 there were 41,000 young people who had come straight from school onto the dole queue. Since 1969 unemployment among the under-20s has run at $1\frac{1}{4}$ - $1\frac{1}{2}$ times the national average.

4 Unskilled Manual Workers. In September 1975 there were 377,729 unemployed male general labourers and only 4,153 notified vacancies in this category.

Regional unemployment

High unemployment exists in certain regions, although the Government provides assistance to special Development Areas, Development Areas and Intermediate Areas. These are more loosely described as 'the assisted areas'. Some 44 per cent of the national work force live in these areas.

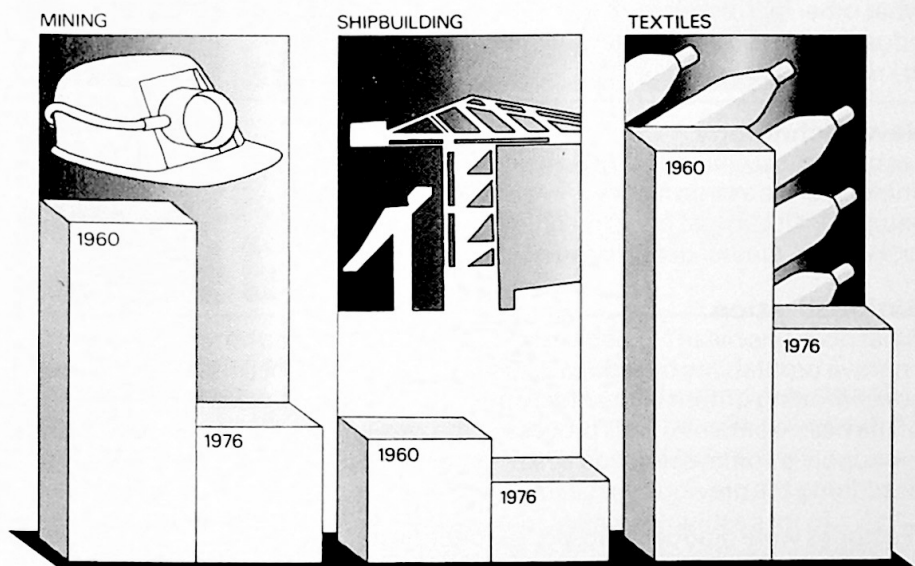
Unemployment: Which are the worst hit regions?



Why is unemployment higher in some regions and in some industries?

The long-term decline of traditional industries like mining and textiles has been a particular problem for parts of Britain where these industries account for a large proportion of total employment, either directly or indirectly. The decline of such industries can have massive social consequences. Look at the following figures showing the run down of some industries since 1960:

Reduction in number of employees in certain industries:



Source: D.E. Gazette

This problem of declining employment opportunities is also affecting the steel industry — look how the Wales TUC has argued the case against steel closures in Wales:

'In areas where the local community is heavily dependent upon steel employment, a reduction in steel employment and output will reduce the demand for the products of allied industries which service the steel industry, thereby possibly causing a second phase of job losses in these industries.'

The Social Consequences of Steel Closure in Wales—Wales TUC.

And there are serious social effects where industry is highly concentrated:

'The steel industry is concentrated in a small number of towns which depend very largely on the local steel works for employment. In Wales,

towns like Shotton and Ebbw Vale, in England, Corby and Consett, in Scotland, Motherwell and Glengarnock . . . The situation of such towns in the event of a works closure can be graphically described in terms of the break up of a community and the eventual migration of most of its young people. There are too many mining towns where this has happened for the reality to be hidden. The social cost of this can be easily understood: families separated, men leaving their wives behind whilst they go off to look for work. Families which leave together to live in squalid, overcrowded conditions in the larger cities'.

'An Expanding Future for British Steel'—AUEW-TASS

What other factors account for high unemployment levels in particular industries? There are two very important ones: (a) new technology (b) rationalisation.

New Technology

Technological change can mean different jobs for the same people, but unless there is a large increase in production because of the new equipment it can just mean machines replacing workers. This issue is looked at in greater detail in the next chapter.

Rationalisation

What does this mean? Broadly it means measures are adopted by firms to improve profitability by reducing the number of units of production and concentrating output in the most efficient ones. Courtaulds provides some of the best examples of this process in the textile industry. This is what the monopolies commission had to say, reporting on Courtaulds in 1968 and describing the previous ten years:

'Factories were gradually closed, production being centered on those units which Courtaulds regarded as the most efficient, administrative and other overheads were centralised and the number of staff and operatives employed was substantially reduced'.

Other industries, such as steel, shipbuilding and the railways and ports have been affected by major rationalisation schemes of this kind.

 What has been your experience of rationalisation schemes? Do you think that in general, any short-term loss of jobs can be justified by helping modernise British Industry so that it can compete better and provide possibly greater long-term security of employment?

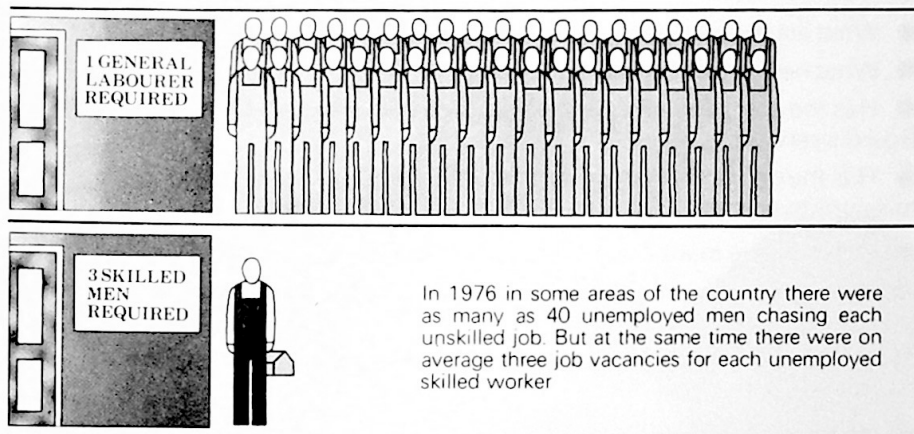
Matching Jobs and Workers

Even when unemployment is quite high we still see vacancies advertised. Why can't some of the unemployed do these jobs? Here are some points to think about:

- 1 There will always be people moving between jobs.
- 2 In fact in March '76, for example, there were 12 unemployed workers for every job vacancy.

3 Looking at national figures can be misleading. Unemployed people and the vacancies can be at different ends of the country.

4 The poor record of much industrial training has meant that many people have not been given the skills to take up job opportunities that exist. When you look at a detailed breakdown of the unemployment figures you will find that the unfilled vacancies are mainly for skilled workers.



Union Policy and the Right to Work

As you have worked through this chapter it will have become clear to you that the right to work largely depends on Government action. Let's have a brief look at some of the policies unions currently are seeking from Government.

More jobs for the regions. The Government already provides a lot of financial help for the regions. Unions now want a more active approach to job creation in the regions. One of the functions of the National Enterprise Board (NEB) is employment creation in the depressed regions. (We will look at the role of the NEB in more detail in our chapter on the social contract)

A boost for industrial training. In the past, when unemployment has been high, the number of the unemployed who have been trained under Government schemes has been very low in proportion to the total number of unemployed. Yet training is beneficial to the individual in that it provides him with skills which improve his position in the labour market and also to the economy as it improves the quality of the 'stock' of the nation's skills.

The general economic situation. Many of the issues which relate to the right to work depend on the general level of industrial performance.

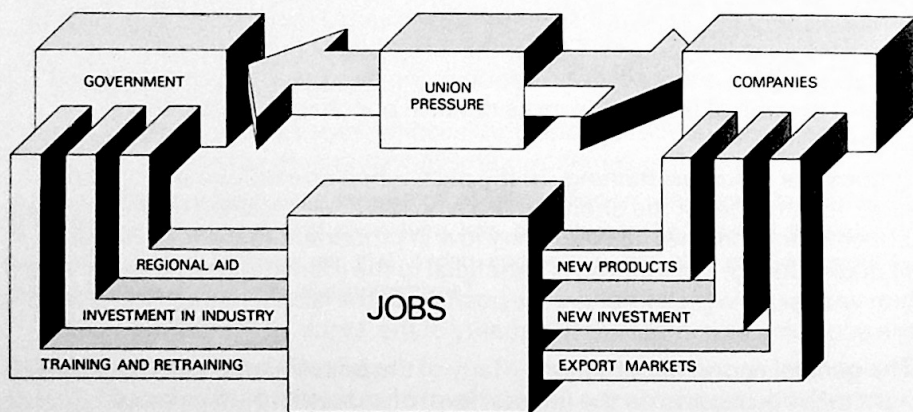
Union Policy at Company Level

What Governments can achieve depends on the last analysis on what companies do. So there is a clear role for trade unionists within their own companies to safeguard employment opportunities by asking questions and getting involved in forward planning decisions in their companies.

To encourage this sort of development the TUC has published a check list on industrial strategy for union representatives. This sets out the sort of questions unions should ask on issues like investment, product development and manpower policy. We looked at the questions on investment in chapter 3 and will mention the check list again in chapter 9, but here are some key points from the check list that have a direct bearing on job opportunities:

- What are the prospects for finding new export markets?
- What new products can be developed?
- Has the company taken full advantage of the British Overseas Trade Board's services?
- Has the company involved trade union representatives in trade missions overseas?
- What are the manpower plans in each sector or company?
- If a company is considering redundancies has it considered the cost of disbanding a skilled workforce?
- Is the company willing to apply for the Temporary Employment Subsidy?
- What steps is the company taking to increase training, particularly of young people?
- What scope is there for encouraging short time working as an alternative to redundancies?

So these are the ways Union pressure could lead to Government and company action to increase jobs



Now re-read this chapter, section by section, stopping to note down your own responses to the questions raised, the further sources of information you want to obtain or ask your union about, and the points you think worth discussing with your union colleagues and members.

New jobs for old



This chapter develops some of the ideas we looked at in the previous sections on 'Productive or non-productive?' and on 'The Right to Work'. And it picks up some of the issues from the chapters on 'Redundancy' and 'Reorganisation at Work' in *Trade Union Studies—Book One*, which you should review if you're making a special study of job security. In this chapter we'll be looking particularly at the issues for unions faced with technological change. Before starting, you might like to ask yourself these questions:

- How has the content of your job changed over, say, the last ten years?
- Is your work more specialised or less so?
- Is it more automated — or less automated?
- Is it more repetitive — or less repetitive?
- Is it more boring — or less boring?
- Does your company or public authority have a retraining policy, or does it plan to introduce one?
- Are there more skilled jobs than there were ten years ago, or less? And more unskilled jobs, or less?

Note down your answers to these questions before going on to read the chapter.

Questions for this Chapter

- 1 How has industrial change affected employment, and how should unions respond to it?
- 2 Has technological change meant more or less skilled jobs? And what should union demands and responsibilities be on retraining?
- 3 Is work now more 'satisfying' than it was in the past, or less? How involved should unions be in the way work is organised — or is this solely a management function?

Industrial Change

It's pretty clear that ever since the Industrial Revolution got under way in the last part of the eighteenth century there's been a constant state of evolution in British industry. Industries have emerged, grown powerful, and declined as others have taken their place. To help you think about this, here are two lists. The first is taken from an earnings enquiry or survey carried out in 1906 and it shows the main industries in which manual work was carried out at that date.

Cotton
Woollen and worsted
Linen
Jute
Silk
Hosiery
Lace
Carpet

Iron and steel
Tinplate
Engineering and boilermaking
Ship and boat building and repairing
Railway carriage and wagon building
Light iron castings, stoves, grates etc.
Electrical, telegraph etc. apparatus
Brass and allied metal trades

Hemp	Grain milling
Smallwares	Baking and confectionery
Flock and shoddy	Malting and brewing
Bleaching, printing etc.	Cocoa, chocolate and sugar confectionery
Dress, millinery etc. (workshop)	Sugar refining
Shirt, blouse, underclothing etc.	Aerated water etc. manufacture and general bottling
Tailoring (bespoke)	Spirit distilling
Tailoring (ready-made)	Tobacco, cigar, cigarette and snuff
Boot and shoe (ready-made)	Paper manufacture
Road, sanitary etc. services – Borough and U. D. Councils	Printing
Road, sanitary etc. services – County and R. D. Councils	Bookbinding
Gas supply	Paper stationery manufacture
Electricity supply	Porcelain, china and earthenware
Water supply	Brick, tile, pipe, etc.
Tramway and omnibus services	Chemical manufacture
Building trades	Explosives
Construction of harbours etc.	Leather, tanning and dressing, fellmongering etc.
Saw milling etc.	Coach, carriage, van, cart etc. building
Cabinet making etc.	Harbour and dock service
Pig iron	Railways (other than electric)
	Railways (electric)
	Laundry service (factory)

If you look carefully at the list you will see the heavy emphasis on the textiles sector of the economy — with 12 subheadings, (excluding garment manufacture). Engineering, on the other hand, carries only one reference. Compare this with the subdivisions of the engineering industry used for the purposes of the New Earnings Survey carried out in 1976:

Mechanical engineering	Electrical engineering
Agricultural machinery (except tractors)	Electrical machinery
Metal-working machine tools	Insulated wires and cables
Pumps, valves and compressors	Telegraph and telephone apparatus and equipment
Industrial engines	Radio and electronic components
Textile machinery and accessories	Broadcast receiving and sound reproducing equipment
Construction and earth-moving equipment	Electronic computers

Mechanical handling equipment	Radio, radar and electronic capital goods
Office machinery	Electric appliances primarily for domestic use
Other machinery	Other electrical goods
Industrial (including process) plant and steelwork	Shipbuilding and marine engineering
Ordnance and small arms	Shipbuilding and ship repairing
Other mechanical engineering not elsewhere specified	Marine engineering
Instrument engineering	Vehicles
Photographic and document copying equipment	Wheeled tractor manufacturing
Watches and clocks	Motor vehicle manufacturing
Surgical instruments and appliances	Motor cycle, tricycle and pedal cycle manufacturing
Scientific and industrial instruments and systems	Aerospace equipment manufacturing and repairing
	Locomotives and railway track equipment
	Railway carriages and wagons and trams

You will notice other points of interest about the two lists.

Clearly many of the industries from the 1976 list which produce technically advanced products (such as electrical appliances and computers) did not exist 70 years earlier. We looked at the decline of some of the old heavy industries in the last chapter and at the implications of this for union policies and organisation. But is the process of technological change slowing down or speeding up? And how can unions protect their members' interests when they are faced with the job changes that inevitably follow?

Computerisation— A Second Industrial Revolution?

Some people have agreed that the introduction of computers and microelectronics into work processes could mean changes as fundamental as the introduction of the factory system in the first industrial revolution. Here are two examples of the tasks that computers are now performing (you may not understand all the technical terms, but don't worry about this — the general point is clear enough):

1 Preparation of Shipbuilding Data

In Norway and Sweden a number of companies have evolved a system for use in shipbuilding known as the Viking system. Some years ago, in order to carry out hydrodynamic calculations, a computer was used to define the configuration of a hull mathematically. It was subsequently felt that once this definition had been made the information could then be used to help with the detailing of the parts to comprise the hull surface.

The first stage was to develop the actual hull surface, having defined its general shape mathematically. Once this was done it was felt that it would be possible to define the shape of the individual sheets. This has now been achieved, and tapes are prepared which are used directly on NC (Numerically Controlled) flame cutters to cut the sheets to the correct size. The effect of this will be not only to eliminate an enormous amount of drawing office planning and layout time, including lofting, but will also have a profound effect upon the work force on the yard, in that the marking out of sheets will now be done by a tape through the use of a tape controlled flame cutter.

2 ISOPEDAC

ICI have evolved a system for the detail design, fabrication and erection of pipework, which is called Isopedac. ICI says of the system itself—

‘Often pipework lies on the critical path for the project and has a major effect in setting the lead time. ICI as a large chemical producer invests many millions of pounds per annum in plant containing pipework, and has developed the Isopedac system to improve productivity in an area where the scarcity of skilled manpower has a major effect on plant start-up dates’

Both examples were taken from ‘Computer Aided Design’ by M.J.E. Cooley, a book produced by TASS, the technical section of the Engineering union. The first example shows how technical developments based on computers can have implications for both manual and white-collar workers: the Viking system transformed both the *design* work on the ships, and the *production* work. You will probably have come across other examples of this kind of development from your own experience. As computers and microelectronics in general become relatively cheaper so it becomes a viable proposition for more firms to develop new methods based on them. (Think of the price of an electronic calculator, for example; one bought today for £10 would have cost £50 five years ago)



How has the introduction of computers affected you and your colleagues at work — both manual and non-manual workers? What have been the implications in terms of jobs and skills? If there are plans to introduce further developments at your place of work, do you need to start thinking now about job security and training arrangements?

New Skills for Old

One of the key issues that emerges from the two examples of the introduction of computers into work processes is the question of skilled work. An immediate result of automation is often a decrease in the demand for skilled labour of a *particular type* although at the same time, new skills may also be introduced. In the shipbuilding example, the skills traditionally used by draughtsmen and boilermakers were taken over by the computer. And in the printing industry computer-assisted processes can now take over work done by skilled compositors. But clearly new skills are required to run a computerised installation. Here is a summary of the ways in which

technical change can affect skills, produced by the TUC in a booklet on 'Automation and Technological Change':

(Some of these have already been noted in the chapter on productive and non-productive jobs.)

- demand for new skills — for example, electronics experts, computer technologists, and programmers;
- need for a generally higher level of skill — for example, a better grasp of precision work, mathematics, engineering, electronics, science in general;
- need for a wider range of skill — with better understanding by workers of the whole production process, more transferability, ability to do a combination of related jobs;
- greater demands for certain kinds of skill — for example, maintenance workers, installation and repairmen, more technical, office, service, and white-collar workers;
- reduction in the number of completely unskilled workers — with the elimination of many simple, repetitive jobs and of heavy manual work;
- maintenance of the same proportion of semi-skilled workers, but with a changing job content — for example, less routine work requiring manual dexterity, but more need for responsibility, alertness, and understanding; fewer machine operators but more machine managers, more semi-skilled office workers.

The trends were summarised by the TUC like this:

'Certainly, overall, there is a clear-cut trend towards a levelling of job qualifications, a narrowing of skill differentials, more interchangeability of workers, a wider grasp of the job process by the average worker, and a blurring of the distinction between manual and non-manual workers'.

But of course a *general trend* towards the introduction of new skills can't get round the immediate problems faced by workers involved in technological change. These problems can only be tackled by active union policies at company level on job security and retraining opportunities, and at national level by action by the unions through the Manpower Services Commission to expand training opportunities. We saw in Chapter 4 how there is still a shortage of many skilled workers, even in times of economic recession.

The Employment Protection Act

This Act has given a boost to union rights to negotiate with employers over alternatives to redundancies, including possible retraining arrangements. Employers now have a legal obligation to consult unions over proposed redundancies, and the penalty for failing to do so could be the withholding of the contribution to redundancy pay from the State fund. Consultation with recognised unions must begin at least 60 days before the proposed date of dismissal where 10 or more employees are to be made redundant, and 90 days before if 100 or more employees are to lose their jobs.

A Department of Employment leaflet sets out further details of these

arrangements. You can get one from the local employment office or from your union.

Technological change and job satisfaction

We've looked briefly at how automation can affect the skills needed to do a job. Now we look at the related question of whether the rearrangement of work that inevitably accompanies technological change makes that work more or less 'satisfying'. The TUC Information Broadsheet *Labour* carried this report on this issue in its May 1976 edition:

Unions have a responsibility to ensure that workers get the greatest possible satisfaction through the way their work is organised. They should also take pains to see that when new equipment is being acquired and installed that the question of job satisfaction is taken into account. So says a report of the Tripartite Group on Job Satisfaction submitted to a recent meeting of the TUC's Employment Policy and Organisation Committee.

Task

The group, set up in 1973 by the Department of Employment, consists of representatives of the TUC, the CBI and the Government. Its task was to investigate the possibility of looking into the subject and considering steps to stimulate action by industry to introduce job satisfaction programmes at the workplace.

Their report speaks of the opportunities afforded by the Governments' industrial and investment policies.

New equipment often has a life of 30 years and when important decisions are made — for example at British Leyland — there is a need to take into account not only the question of efficiency but also the need to provide workers with jobs offering some intrinsic interest and satisfaction, says the report.

The group says that the mechanistic approach to work has always been subject to criticism because of its de-humanising effect on the workers.

Frustration

There is now a great deal of world-wide research which appears to demonstrate that 'efficient' means of production, such as specialisation and the subdivision of tasks to minimise the skills needed to do them, no longer works as well as was thought, and there have been efforts to redesign people's jobs to meet their needs and put an end to frustration.

The report says that frustration can arise for three reasons:

Cycles

- a Shortwork cycles, repeating a fixed set of tasks in a short space of time.
- b Paced work, whereby a time limit for completion of the task is imposed on the workers.
- c Machine and systems control, when the individual's work is determined not by him but by a machine.

Most of the attempts so far to reorganise or restructure work usually involves one or more of these approaches:

d Job rotation—through swapping one job for another, workers may be offered some variety in their work situation.

e Job enlargement—this involves amalgamating several tasks into one job, again potentially introducing more variety into work.

f Job enrichment—a job may be said to be enriched if the individual concerned is able to exercise a much greater degree of personal control over the planning, organisation and checking of his own work.

g Semi-autonomous working groups—this entails giving workers the responsibility for planning and organising work among themselves within the overall management framework. They can control the pacing of work, the allocation of tasks and hours of working. The scope for changes to promote job satisfaction is greatest at a time of the installation of new plant and machinery. This represents an opportunity to take into consideration the needs of the workers who will be involved in working with the new plant.

Such opportunities occur infrequently and unions need to take advantage of them when they arise, although scope for change may exist in other situations and there is nothing to preclude unions examining working methods with a view to change.

Decisions

'At present, investment decisions are made far too often with only the increases in efficiency that can be made in mind.'

'Labour TUC Information broadsheet, May 1976'

What emerges from this report is that a new area of union involvement in investment decisions is required. We saw in Chapter 3 how investment is crucial to the long-term viability of companies, and therefore the security of workers' jobs. But this report on job satisfaction suggests that the opportunities created by the introduction of new plant and machinery to radically reorganise work in a more 'human' way should be seized by unions. The human aspects of work organisation should be looked at alongside the 'efficiency' aspects. Unless this is done, the new jobs may be frustrating, and that in itself will create many problems for management. Here is an example of work reorganisation with job satisfaction in mind:

The Kalmar Experiment

The most famous experiment on job satisfaction is taking place at the Volvo works at Kalmar in Sweden. The plant was opened in 1974 and employs 600 people in an attempt to eliminate the conveyor-belt assembly line altogether.

The whole conception, design and arrangement of the experiment has been jointly created by management and trade unions.

Work teams of 15 to 20 people have been created, each having specific

responsibility for a particular section of the car. Each team has its own shop floor area.

The car bodies on which the teams work are individually mounted on self-propelled electric carriers. These carriers transport the car bodies both within and between each workshop area, and there are buffer zones between each workshop, each containing at least three units on which work has already been completed, ready for the next team.

The aim of this is to eliminate feelings among workers caused by having always to match "the pace of the track".

The operators in a team learn each others' jobs and decide among themselves how to allocate them and what the pattern of rotation should be.'

'Labour' May 1976



What are your own views on the relationship between technical change and job satisfaction? Do you agree that job satisfaction should be given a higher priority in negotiations about technical change at workplace and company level?

What specific measures would you propose in order to increase the job satisfaction of your members? Is there a link with health and safety considerations? (Note: these issues will all be covered in more detail in Book Three).

Is technological change a good thing or not?

You will have your own views on this question. In this chapter we've looked at some of the problems that can be caused by rapid technological change, but also at some of the opportunities that can be seized — a reorganisation of work can with appropriate union pressure and policies be used to make work more 'human', for example. It must also be fairly obvious that in the long run an improved standard of living, including shorter working hours, can only be achieved by continuing technological development. Here are two quotations which summarise the issues:

'Improvements in the standard of living of workers and their families are achieved more easily in technologically advanced industries than in others. The prospect of more rapid and more extensive technological advance, therefore, is welcomed by the TUC'.

Automation and Technological Change, TUC

The President of TASS made the point in a rather different way.

'One is frequently asked if technological change is a good thing or not. That is really a non-question. It depends entirely how it is used and who controls it. We need not have a fear of technological change. It is, in fact, merely an extension of man's own capabilities'.

Policy issues for unions

As in other chapters, it is clear that there are different levels at which unions must become involved in manpower and training issues.

At workplace level unions can initially respond to job changes and the implications of new technology through plant level negotiations about management plans to bring in schemes which involve, for example, greater job flexibility, shift work or retraining. The retraining question may involve the issue of the unions responsibility to accept newly retrained workers into skilled jobs when they are not time-served craftsmen.

At company level union negotiators now have the opportunity to be involved in discussing manpower and training questions, possibly through the medium of a planning agreement.

Here is what the Government's discussion paper *The Contents of a Planning Agreement* has to say on this:

'Employment and training

Employment would form one of the major sections of the Planning Agreement discussions in which the Government representatives would be concerned to know the present numbers in employment, prospective major changes, the possibility of substantial future redundancies and the scope for increasing employment in assisted areas. There would be a need for some information about the occupational and regional composition of the figures, and where major changes were envisaged, more detailed information would be sought'.

And at industry and national level, unions are now involved in the Industrial Training Boards and the Manpower Services Commission. These bodies have the responsibility to get the general pattern of training opportunities right, to get over some of the problems discussed in this chapter, and in Chapter 4, *The Right to Work*.

Redundancy and re-training: Foreign Comparisons

In deciding what you think your union's policy should be on how re-training needs in Britain should be met, you need to examine:

- 1** the provisions of the Employment Protection Act, 1975 (guides are available at Job Centres)
- 2** the book 'Through No Fault of Their Own' by Santosh Mukherjee—a report on how France and Germany handle their redundancy problems through re-training. (The book will be in your library or can be obtained from Political and Economic Planning, 12 Upper Belgrave Street, London, SW1X 8BB.) The emphasis of the French system is shown in these extracts: 'While the approach in the U.K. seems mainly to compensate a man for loss of his employment by providing a lump sum severance payment, on the other side of the channel the prevailing view appears to be that the best compensation for the loss of a job is another job. With present techniques and the current state of technology in industry, there are few jobs for manual workers which require more than one year's training. Consequently, the newest phase of re-training in France is offering displaced workers an unfettered choice to adapt to the requirements of any new occupation which they find attractive.'

As from the end of 1970, French work people whose jobs disappear as a result of redundancy are guaranteed their previous wages for anything up to one full year, if they spend that time undertaking re-training. Officials have finance on tap, and statutory authority, to go out to firms that are in good shape and induce them to take on workpeople made redundant by other enterprises, solely with the object of giving them retraining.

France had a normal adult training capability which gave courses of between six months and one year to something over 82,000 people in 1970. In that year, government training centres in Britain provided courses for almost 17,000 trainees.

The British statutory manpower and training system

Manpower Services Commission

The Manpower Services Commission was formally set up on 1 January 1974. Through its two Executive arms, the Employment Service Agency and the Training Services Agency, the Commission now runs Britain's public employment and training services. These and other Commission policies are being developed to secure the social and the economic advantages of a comprehensive manpower policy.

The Commission itself is made up of ten commissioners, three of which are appointed after consultation with the TUC. The three union members are Ken Graham from the TUC, Harry Urwin of the TGWU and Danny McGarvey of the Boilermakers.

The Employment Service Agency

Under the direction of the Employment Service Agency, the public employment services are undergoing comprehensive modernisation.

There are now some 100 or so Jobcentres across the country and new ones are opening all the time. Eventually all the 800 remaining employment offices will have been modernised. Jobcentres are being carefully located in high streets and shopping centres.

Mobility

In order to encourage greater mobility of labour the ESA operates three schemes. The Key Workers Scheme provides financial assistance to those transferred by their employers to new or extended establishments. This only applies to Development Areas or Intermediate Areas.

The Nucleus Labour Force Scheme gives financial assistance to those temporarily transferred to an employer's parent establishment for training, prior to coming back to a new or extended local establishment which the employer is setting up.

The Employment Transfer Scheme also provides assistance including financial grants to those taking up employment in places beyond daily travelling distances from their homes. Closely associated with this service is the Job Search programme which makes grants for travel expenses for those wishing to explore new areas in order to find work.

The Training Services Agency

The Training Services Agency has three main goals: to meet the training needs of individuals, to meet the training needs of industry and to improve the effectiveness and efficiency of training itself. Between two and three million people receive some sort of training each year, whether through the TSA itself or through employers, Industrial Training Boards (ITBs), colleges of further education, or professional and voluntary bodies.

Training Opportunities Scheme

For the individual, TOPS courses are offered by the TSA either in its own Skill-centres, or in colleges of further education, polytechnics, business colleges and even universities, depending on the type of course. Most last six months, with shorter courses of the refresher type or for occupations below skilled level. Some last a full year.

TOPS courses are undertaken by people from a number of situations: the unemployed who see in a training course the means of getting back into useful employment; unskilled people who recognise the advantages of a skill and are prepared to resign their jobs to acquire one; people who wish to move from one skill to another, or one industry to another; young adults who failed to take the opportunity of an apprenticeship or other preparatory training and now recognise this as a mistake; older workers who require their skills updated; people who have left the employment market and let their skill lapse and require a course to update it.

For further information on these services contact:

Manpower Services Commission
Stratton House,
Stratton Street,
Piccadilly,
London W1X 6AS.
01-409 0491

Training Services Agency,
Tops Division,
Ebury Bridge House,
Ebury Bridge Road,
London SW1W 8PY.
01-730 9661

Training Services Agency,
162/168 Regent Street,
London W1R 6DE.
01-214 6000

Employment Service Agency,
7 St. Martin's Place,
London WC2N 4JH.
01-930 7833

Now review the facts and arguments put forward in this chapter, reading over it again section by section, and noting questions worth discussing with colleagues at work.

The Social Contract

TRADES UNION CONGRESS

Collective Bargaining
and the Social Contract

10p

TUC - LABOUR PARTY
LIAISON COMMITTEE

**ECONOMIC
POLICY AND
THE COST
OF LIVING**

TRADES UNION CONGRESS 1975

The Development of
the Social Contract

SUPPLEMENTARY REPORT A

15p

TRADES UNION CONGRESS

The Social Contract 1976-77

PORT TO A SPECIAL TRADES UNION

NOTE: Many of the key questions raised in this chapter are examined in more detail in the next two chapters, which also deal with issues relevant to the social contract. You might like to review the questions again after you have worked through the two related chapters.

- What is the Contract? What does it mean to unions and Government?
- Is it just about curbing inflationary wage claims?
- What are the other factors that contribute to inflation?
- How does the Contract relate to wider issues, such as investment and fair shares?
- What should union policy be on the development of the Social Contract?

What is the Contract?

Social contract. We've heard this term quite a lot recently; what does it mean? Broadly, it's a deal negotiated between Government and unions. Government action on jobs, prices, pensions, fairer shares of the national cake, health, welfare and other policies, in return for union agreement to accept a voluntary limit on pay settlements.

The contract was developed by Government and the TUC as a way of reducing inflation while at the same time protecting the most vulnerable members of the community by increasing the social wage. The TUC's own record of the Social Contract is given in the pamphlets on the chapter title page. The contract approach has generated a mixed response from within the trade union movement.

'The National Union of Mineworkers has only one social contract — a loyalty to the membership. There can be no contract with a capitalist system.'

Arthur Scargill.

'The voluntary approach of the social contract is the only one that can be expected to have any relevance in the immediate future.'

USDAW.

'In the end — whatever the terms of a compact between the TUC and the Government — we will need to use whatever strength we have to defend wage claims and improve living standards.'

William Kendall CPSA.

What's the Point?

Why can't the Government get on with its job and unions get on with theirs, of improving and protecting the living standards of their members — the employer's ability to pay should be the only limit placed on free bargaining: How often recently have you heard this sort of comment?

There are really two answers:

- 1 Union wage bargaining contributed to inflation or rising prices.

therefore governments cannot act to achieve their objectives without union co-operation.

'There may be some trade unionists who believe . . . that the level of wage claims and wage settlements can never cause economic difficulty. . . . The General Council do not accept this.'

TUC Annual Report

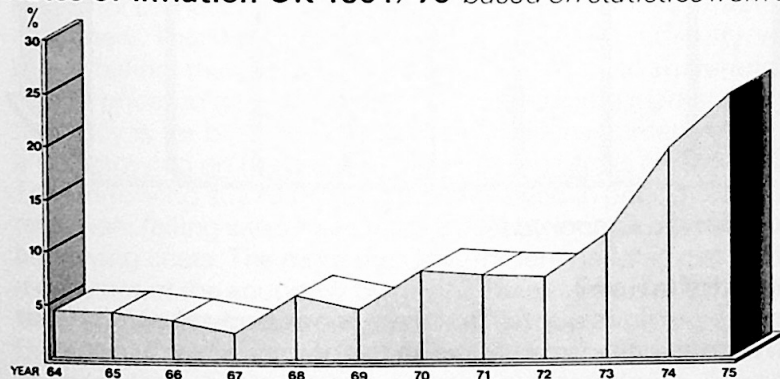
2 Unions are concerned with living standards and the quality of life of their members in the widest sense; in other words, things which can only be provided by Government action (see Chapter 8, 'Wages and Taxes').

The social contract idea then can be seen as a new approach to incomes policy, one way of tackling the problem of inflation. It's inflation that will really be our main concern in this chapter. What is it? What causes it? (Do trade unions cause it?) Why does it matter or what are its consequences? What sort of debate is taking place among trade unionists as to what to do about it?

What is Inflation?

Most economists would define inflation in something like the following terms: 'a rapid or continuous rise in prices or an upward movement in the cost of living'. Everybody knows that we've been through a period of rapidly rising prices in recent years and the chart gives a graphic illustration of this.

Rates of inflation UK 1964/75 *based on statistics from D.E. Gazette*



What causes inflation?

There is no general agreement on this; the experts are very much divided. This is illustrated in the following quotations, which give at least three different views on this issue—

'For some economists and politicians, there is no doubt about the cause. Inflation is simply the result of paying ourselves too much. The blame is put squarely at the door of trade unions powerful enough to exact wage increases greatly in excess of rises in the cost of living . . . Some blame Governments and banks for causing inflation by creating too much money.'

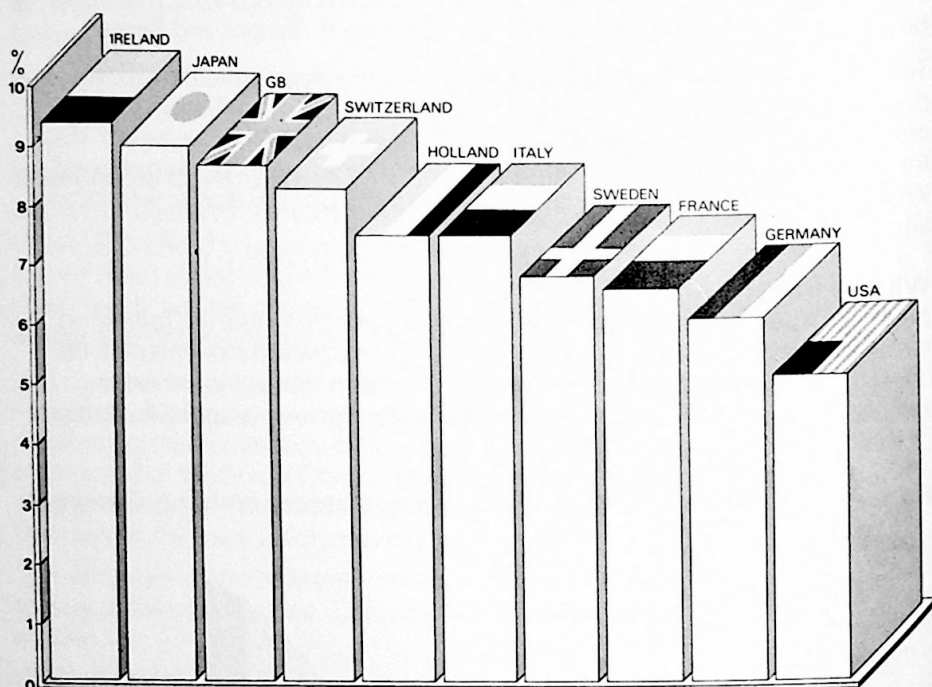
Peter Donaldson's Illustrated Economics.

'... Wage demands are but one of at least *ten* major factors in the recent inflation... inflation is world wide and not simply a British phenomenon. If union militancy alone were the dominant factor in world inflation it would represent a miracle of working class solidarity world wide.'

Stuart Holland

Consumer prices around the world

Average Annual percentage increase in Consumer Prices 1970/73



based on figures from the Economist

Do Unions Cause Inflation?

You can see from the previous quotes that there is one body of opinion that places the main responsibility for inflation on the unions. How far is that true?

Of course, wages are a factor in costs and, therefore, prices. But they are only one factor, and often in key prices like food, rent and fuel they are a very small factor.

'A hard look at a breakdown of the costs that together make up the prices we all pay in the shops shows clearly that wages are not the crucial element in inflation. Wages and salaries account for only 40 per cent of average prices. Profits, rents and similar forms of income take up 25 per cent. Import prices account for 18 per cent. And taxes, less official subsidies, make up the remaining 17 per cent.'

TUC, The Case for the Unions

Does Monopoly Power Cause Inflation?

We have looked at the arguments on unions causing inflation, let's now look at the power of *companies* to impose price increases. There are clearly differences between firms in a competitive relationship to one another and firms in a monopoly position. Firms are said to have this power when they command such a large share of the market for a particular product that they do not have to compete in their pricing. Economists have always admitted that the monopolist has the power to impose price increases on the consumer. The growth of monopoly, particularly in manufacturing industry, has been a feature of the last 25 years or so. Look back at the figures we gave on this in Chapter 1 (page 19). One sign of the power of the large companies was demonstrated by a study by the American economist Gardner C. Means, who examined the pricing policies of US companies over twelve months, beginning in September 1973.

He discovered that those with a high degree of market power, basically the monopolies and multi-nationals, increased their wholesale prices by 27 per cent; the prices of firms in competitive industries, on the other hand, rose only by 5 per cent.

Deflation Causing Inflation

Traditionally, governments have adopted deflationary policies of reducing purchasing power with the intention of reducing prices. But this in itself can make industrial costs rise and so lead to further price increases.

Before the last War new capital issues on the Stock Market was the main source for companies wishing to raise money for investment in new machinery. This meant that in times of economic difficulty, with sales and profits falling, they could stop paying dividends to shareholders, and reduce prices to gain a higher share of the falling market. These days the tendency is for big business to finance its investment by retaining profits and borrowing on fixed interest terms from banks and the money markets. This borrowing still has to be financed, even in periods of economic recession; falling sales have to be offset by increasing prices to meet borrowing costs. The more the Government deflates demand, i.e. takes money out of the economy by raising taxation etc., the more big business tends to inflate prices to survive.

Deflationary policies can lead to price increases in another respect. During periods of economic recession firms operate below full capacity, producing a level of output well below what could be achieved with existing plant and machinery. A steel works for example will carry the same overhead costs whether it is producing 100 or 1,000 tons of steel. In the case of reduced output, this is bound to lead to a rise in cost per ton of steel produced. (see again page 45).

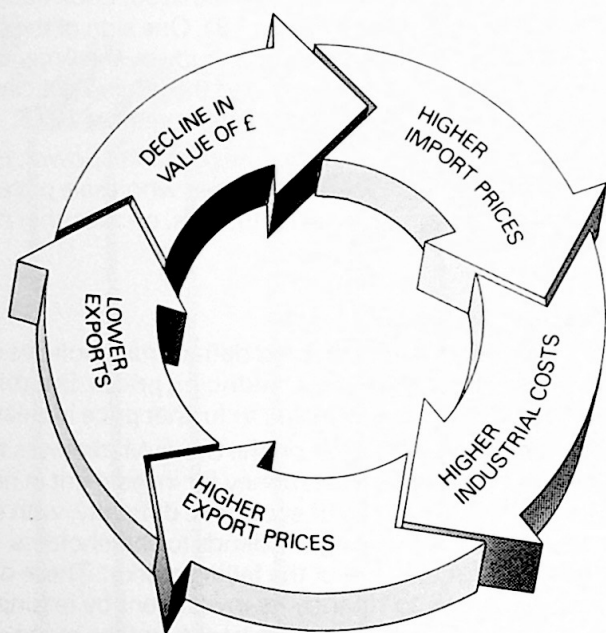
The Pound and Inflation

How does the value of the pound affect prices?

One view is that the downward 'float' of the pound on the foreign exchange markets is to our advantage. It reduces our imports (they're more expensive) and increases our exports (they're cheaper to buy), thereby

strengthening the balance of trade. (We talk more about what this means in chapter 9.)

There is also a contrary argument however that runs as follows. A large part of British industry depends on imported raw materials which can't be cut out. So increased import prices as the pound falls means higher industrial costs which have to be passed on in higher prices, thus cancelling out some of the gains made on the export side. This can be shown as a vicious circle.



Why Does Inflation Matter?

1 Rising prices hit work people hardest

It is because of this that the unions have insisted that Government action to reduce prices must be a major part of the social contract. In one of the early documents setting out the basis for a contract (TUC-Labour Party Liaison Committee 'Economic Policy and the Cost of Living'), this was made very clear. 'The key to any alternative strategy to fight inflation is direct statutory action on prices— and, above all, direct action on the prices of those items that loom largest in the budgets of workpeople such as food, housing and rents'.

It has been estimated that the cost of food subsidies introduced as part of the social contract was £554 million in 1975/76. This did not, however, keep the prices of basic foods stable. During that period milk went up from 5p to 6p to 7p, and in November 1975 to 8½p. The 2p a pint subsidy prevented it from rising to 10½p per pint.

It's not only food prices but also housing costs and fuel prices which hit working people, particularly those on low incomes, very hard during rapid inflation. In 1975, for example, some of these other prices registered their largest annual increase ever. On fuel prices domestic gas went up 34 per cent, electricity 50 per cent, and coal 55.5 per cent in the 12 months ending October 1975. These increases were much more than the overall rate of price increases of 26 per cent during the same period.

These price increases were a result of the change in Government policy which now instructs the nationalised industries to charge commercial prices and cover their own costs, rather than rely on subsidies from the Exchequer. This illustrates yet another possible source of price increases.

2 Inflation holds back improvements in the Social Wage

Soaring costs are holding back the expansion and improvement of our social services — health, education, public transport, etc. For example £600m extra was provided by the Government in the last financial year for the health services. But no extra hospital was built as a result of this extra money. Virtually every penny had to go to meet rising costs.'

('Attack on inflation — a policy for survival' — the free guide issued by the Government in 1975.)

3 We can't compete in World Markets

'The need to maintain Britain's international competitiveness is another common argument put forward to support attempts to control inflation. If British manufacturing prices get out of line, it becomes more difficult for us to sell exports, and easier for foreigners to penetrate British markets. The consequent balance of payments difficulties make it necessary for Governments to resort to painful remedies like domestic deflation. Inflation can thus result in higher unemployment and slower economic growth.'

Peter Donaldson, 'Economics of the Real World'

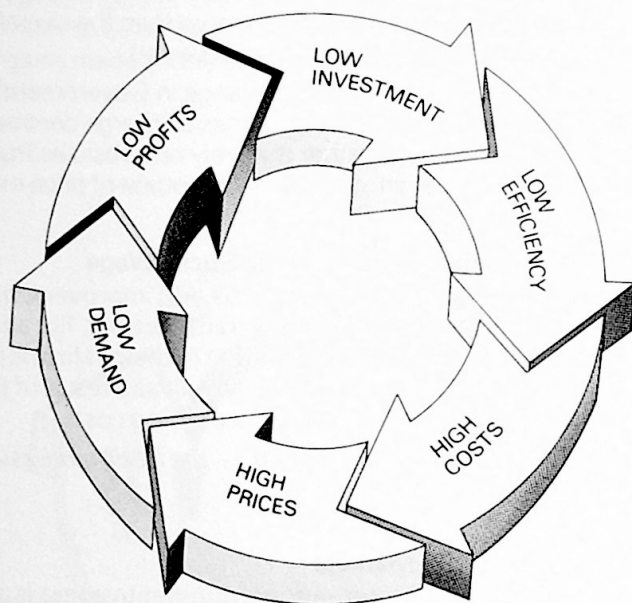
The Underlying Issues

Too often the social contract is thought of as an agreement concerned wholly with wage restraint or limitation imposed by the Government on union wage bargaining. We are now going to look at some of the wider issues that unions see as a crucial part of the social contract — such as problems of industrial investment and performance, social priorities, or the social wage, and fairer shares. (These last two issues are discussed in more detail in the next two chapters).

1 Investment and the contract

Chapter 3 touched on some of the implications of low levels of investment for the performance of British industry. You will remember that the

problem was really a vicious circle that looked something like this:



What has the union response been to this problem?

The GMWU has recently drawn attention to the investment problem in one particular industry, chemicals, in its 'Strategy for Chemicals'. It said: '... it is absolutely necessary to improve the industry's investment performance, to ensure that it meets the economic and social needs of the country, and to place investment decisions and manpower planning within an agreed overall context in the industry. To do this it is vital that investment decisions are no longer taken by faceless men in boardrooms behind closed doors, but are accountable to their workforce and to the community at large, represented by the State.'

Partly as a result of pressure from the TUC in negotiating the social contract, the Government established under a new Industry Act a National Enterprise Board (NEB). This will have a number of functions, including:

- The provision of investment funds to industry, in return for some State ownership of shares.
- Promoting efficiency and restructuring in industry.
- Providing Government control of companies where desirable.
- Promoting employment in development areas.
- Exercising control over existing Government share-holding (e.g. Rolls Royce, ICI, etc.)

In 1976, in a document on the contract, 'The social contract 1976-77', the TUC called for more money for the NEB.

'The NEB will have a particularly important role in creating new jobs and financing investment and the General Council hopes that when fully operational the NEB will be able to operate with a realistic level of funds. This should involve the NEB spending up to £1,000m. a year instead of over five years as at present envisaged.'

Looked at in this wider sense of embracing new institutions like the NEB, the social contract can be seen as a means of introducing radical change in industry. This is the view taken by ASTMS who have argued that:

'The direction of NEB action must not be allowed to develop a bias towards buying up companies that are either ailing or threatened by foreign takeover. Such a policy would not be building a socialist planned alternative, but rather a bailing out of the inefficient and badly managed private companies with public money. A positive role of assistance and direct equity (ordinary shareholding) stakes must aim at including a large proportion of those companies that have a growth future.'

The Crisis in British Economic Planning and a Draft Planning Agreement. A discussion paper, ASTMS

The idea of *planning agreements* has also become a key social contract issue. 'Planning agreements with major companies in key sectors of industry and commerce will form the other arm of policy. They will offer a medium whereby Government, by consulting both sides of industry, will be better able to co-ordinate public policy and private industry's intentions. The agreements will offer guide lines that should ensure private industry is in step with Government's economic and social targets. For the first time, private industry will face a direct measure of public accountability, the agreements covering every aspect of productive manufacturing activity. Such a policy is long overdue where previously Government funds have been made available to companies without any firm guarantee of public accountability or control.'

ASTMS

2 Social Priorities and the Contract

In its arguments to the Government on the contract, the TUC have, time and time again, stressed the importance of public social expenditure as a desirable thing from the point of view of its general effect on the living standards of work people, and as a means of promoting economic activity:

'The TUC has always considered the steady growth of public expenditure as part of the social wage and part of the development of a socially just society. In a period of stagnation, and a period when priority has to be given to manufacturing, public expenditure inevitably faces financing problems. Nevertheless, the planned growth of social expenditure and of the public sector must play its part in a plan for economic recovery.'

TUC, The Social Contract, 1976-77

Trade union policy on the social wage is discussed more fully in Chapter 8.

3 Fairer Shares and the Contract

'The TUC has consistently argued that a prerequisite for the success of economic and social policy must be a large scale redistribution of income and wealth.'

TUC Economic Review, 1976

(Remember, it's important to distinguish between income from employment or other sources, and wealth, in the form of ownership of claims to property, when talking about fairer shares. The next chapter on fairer shares takes this up again.)

With this objective in mind unions have put forward the following proposals:

- **Wealth tax**

'An area for speedy action is the legislation of a wealth tax.'

TUC, The Social Contract, 1976-77

- **Direct taxation should be more progressive:** 'The system of direct taxation will also be made very much more progressive, with the tax threshold being regularly raised as necessary to maintain the real value of the personal allowances.'

TUC-Labour Party Liaison Committee: Economic Policy and the Cost of Living

- **Maximum income level:** NUPE has recently called for the establishment of a national maximum income level, beyond which income tax will apply at the rate of 100 per cent.

These kinds of issues are taken up in more detail in the next chapter on fairer shares.



Some further questions

Some people argue that an approach like that of the social contract ties the unions far too closely to Government. This places shop stewards and lay officials of unions in a difficult position locally.

Their freedom to bargain with the employer is limited and they are left to explain away difficult policy issues to their members.

Do you agree with this view?

Inflationary periods often mean the suspension of free collective bargaining in favour of some form of incomes policy. What's your view on this?

Remember that also trade unions often argue for planning. Is it right to argue for planning, but to be in favour of free collective bargaining?

What do you think?

Is a social contract possible with a Conservative or Liberal Government?

Now re-read this chapter, noting your responses to the questions asked, and points to discuss with union colleagues.

Fairer shares



There are two kinds of issues about fairer shares considered in this chapter. The first concerns fairer shares of *wealth*:-

'The very heavy concentration of Britain's wealth and capital resources in a few hands must be brought into control if workers themselves are to co-operate in any orderly growth of wages and salaries'.

USDAW 'Wages and Economic Policy' 1974

The second kind of fairer shares issue concerns income. There is debate within the union movement over differences in the level of income received by different groups in society. There is also discussion about whether increases in income should be based on a flat rate or a percentage.

'Differentials are necessary and useful if they accurately reflect a real degree of effort or skill or responsibility . . . the real harm has been done by those who have persistently claimed the right automatically to increase their differentials by percentage increases'.

Jack Jones, writing in the New Statesman, Sept. 1975

'So far from differentials being a bastion of privilege, they are one of the mainsprings of economic progress'.

John Lyons — General Secretary, Electrical Power Engineers' Association, New Statesman, Sept. 1975

Questions for this Chapter

- 1 What meaning can be given to the idea of fairer shares —
— of income?
— of wealth?
- 2 Why is a fairer share of the national cake important to unions?
Shouldn't we all get as much as we can?
- 3 What policies in fairer shares should unions pursue?

The Meaning of Wealth and Income

When we talk about personal wealth, we are talking about ownership of property. 'By personal wealth is meant holdings of physical assets like houses, land and consumer durable goods, and financial assets such as bank and building society deposits, stocks and shares'.

Peter Donaldson's Economics of the Real World. BBC Publications

By income we are mainly concerned with income earned from employment — although there are other forms of income such as pensions or income from property. The question of fairer shares involves both wealth and income.

The Facts on Wealth

There is considerable dispute between experts, often reflecting their own political positions, as to how wealth is divided.

Look at the following two views:

'The redistribution of wealth over this century has not been between the rich and the poor, but between successive generations of the same family'.

A.B. Atkinson, Unequal Shares, Pelican Books

'It seems to us irrefutable that wealth and income have become much more evenly spread during the last 40 years'.

How Much Inequality? G. Polanyi and J. Wood, The Institute of Economic Affairs

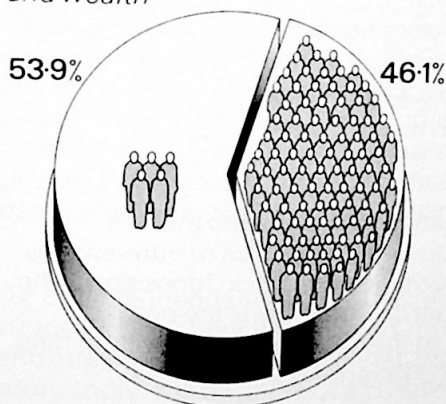
The Government recently set up a Royal Commission on the distribution of income and wealth, 'to help to secure a fairer distribution of income and wealth in the community'. Some of its findings to date have been commented on by the TUC:-

'Many social commentators have argued in recent years that the problems of extreme inequality have been solved by taxation and that there are no longer any super-rich people. The reports of the Royal Commission... show otherwise. The total amount of privately held wealth in the U.K. in 1973... is estimated to have been £213 billion. This is about 75 per cent of the net wealth of the whole country, with the Government, companies, and overseas residents owning the rest... 28.1 per cent of all this wealth is held by 1 per cent of the adult population and 53.9 per cent by 5 per cent. The bottom 80 per cent of the adult population holds 17.6 per cent of all private wealth'.

TUC Economic Review, 1976

The Distribution of Wealth

based on figures from the Royal Commission on the distribution of income and wealth



The National Cake:
out of every 100 people
the five richest own more
of the wealth than the
remaining ninety five.

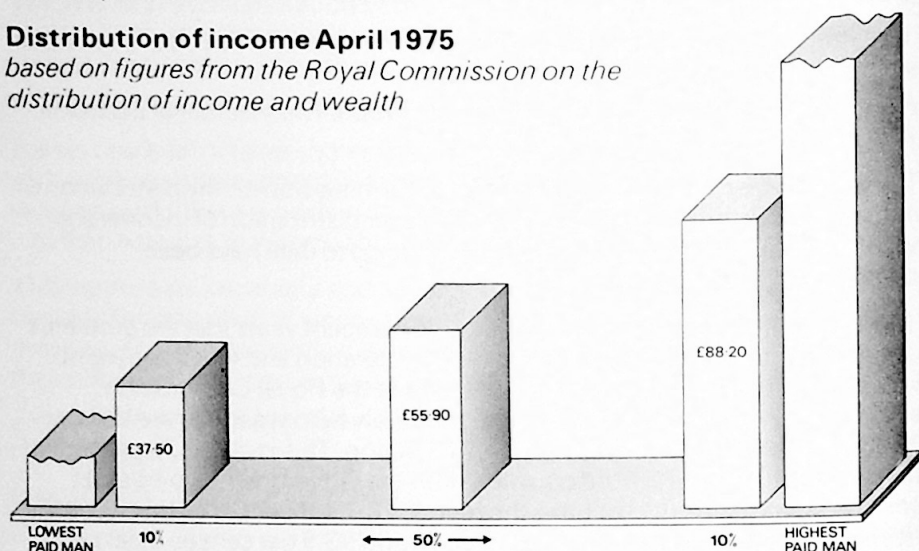
The facts on income

The situation, as far as income from employment is concerned, has also received a lot of attention recently. The new earnings survey for April 1975 shows that 80 per cent of full-time adult male workers earned between £37.50 and £88.20 per week with a middle wage of £55.90. The highest paid managers in industry received £50,000 per year and more, which is 17 times the middle or 25 times the wages of the bottom 10 per cent of full-

time adult male workers. In 1974/5 there were 64,000 people earning more than £10,000 or £192 per week, and 2,500 earning £24,000 or more, or £461 per week.

Distribution of income April 1975

based on figures from the Royal Commission on the distribution of income and wealth



In the above section a lot of facts and figures have been presented. Let's summarise what has been said so far.

- 1 In order to get clear arguments about fairness, we have to separate wealth and income from employment.
- 2 The 'experts' do not agree about the present facts on the distribution of wealth, although the Royal Commission does present a picture of marked inequality.
- 3 There is a considerable difference between top, middle and bottom incomes, and there is no disagreement on the facts here.

Differentials: bigger or smaller?

So far we have looked at the general question of wealth and income distribution. Let's now focus our attention on the question of different pay levels or differentials. Look back at the quotations by Jack Jones and John Lyons; both are about differentials— what do you think is the point of disagreement between them? Now look at the following list. It should help you sort out some of the problems about differentials and fairness.

- Pay differentials are often justified on the grounds that skill and responsibility should receive extra reward. But the position in different companies and different industries might be very different.
- Some pay differentials only reflect union bargaining strength.
- Some wage differentials can be explained in simple supply and demand terms. Footballers and pop stars are paid large sums because their talents are in short supply (which cannot easily be increased), and there is a

demand for their services. Equally, employers in industry may offer higher rates of pay to attract workers who are in short supply.

● There are no generally agreed principles on which a national wage league should be built. Ideas about what is fair change from group to group and over time.

Where would you, for example, place the nurse in relation to the miner in a national league table of pay?



Which differentials in your organisation seem to you to be fair or unfair? How far do these differentials reflect skill and responsibility? How far do they reflect union bargaining strength?

Why is Fairer Shares an Important Issue for Trade Unionists?

Look back at the quotation from USDAW at the beginning of this chapter. Unions are often being asked to co-operate in the general interest, particularly with Governments, on policies of income restraint, also with employers on questions concerning new technology and rationalisation. Co-operation in the general interest is a wholly desirable thing, but it's difficult to talk about a general interest unless the reward for sacrifice is evenly distributed. Fairer shares may lead to a more co-operative, less competitive society.

Discussions about fair shares often end up in arguments about incentives — the quotation from John Lyons at the start of this chapter is really saying that economic progress depends on the maintenance of differentials. Many trade unionists would support the general principle of differentials but say that existing circumstances do not produce a fair and consistent approach to them.

The question of fairer shares raises some very complex issues about the way in which our society is organised. It's often asserted that many people in the trade union movement want to reduce differences in pay to such a degree that the nation's talent, initiative and enterprise will be killed off. Look at the following quotation from the historian, R. H. Tawney. It provides one sort of answer to those who take the above view. (It also demonstrates how broad a question fairer shares is).

'To criticize inequality and to desire equality is not, as is sometimes suggested, to cherish the romantic illusion that men are equal in character and intelligence. It is to hold that, while their natural endowments differ profoundly, it is the mark of a civilised society to aim at eliminating such inequalities as have their source not in individual differences, but in its own organisation, and that individual differences which are a source of social energy, are more likely to ripen and find expression if social inequalities are, as far as practicable, diminished'.

'Equality' by R. H. Tawney, Unwin Books

Fairer shares of wealth are important for a different reason. The ownership of wealth brings with it the power to make far-reaching decisions, often

deeply affecting the lives of other people. Greater political and industrial democracy would have to be based on a redistribution of personal wealth.

Trade union policy and fairer shares

As you will see from the chapters on the social contract and on wages and taxes, arguments about fair shares have become central to the policies of the trade union movement.

'The TUC has consistently argued that a prerequisite for the success of economic and social policy must be a large-scale redistribution of income and wealth'.

TUC Economic Review, 1976

In this section we will look briefly at some of the policies of unions on fairer shares:

Wealth In its 1976 Economic Review the TUC argues that a high priority should be given by the Government to developing a wealth tax. Its argument is based on the analysis we looked at earlier in the chapter when discussing wealth — but it may be worth adding some further figures at this point. The reports of the Royal Commission on the distribution of Income and Wealth show that the top 0.1 per cent own 12 per cent of privately owned wealth. The top group (about 31,000 individuals) each have estates worth a minimum of £200,000. The bottom 50 per cent of the adult population (16.5 million individuals) are estimated to have an average of £700. The super-rich own 30.8 per cent of all privately owned Government securities, 36.9 per cent of all privately owned quoted company shares, 38.7 per cent of all other privately owned company securities and 42.2 per cent of all privately owned land. The top 3.5 per cent of the adult population own 90 per cent of all privately owned quoted company shares and 91 per cent of all privately owned land in the U.K.

Income In this chapter we looked briefly at some of the problems surrounding ideas on differentials and fairness. Trade union policy on income distribution rather than income relationship has been concerned with the overall range of incomes.

NUPE, for example, has recently suggested a National Maximum Wage, beyond which income tax would be levied at a rate of 100 per cent.

Commenting on this idea the Government has said that this would only yield an increase in revenue of about 6 per cent, but NUPE point out that 6 per cent would mean an increased yield to the Exchequer of £728 million each year.

'This would be sufficient to take a substantial number of low-paid workers out of the income tax net, or alternatively to increase the funding of the National Enterprise Board by 75 per cent, or triple the hospital building programme'.

NUPE Economic Review, 'Time for a Change'

Looking at income distribution more generally the TUC has agreed with the Royal Commission on the Distribution of Income and Wealth that, 'A broad consensus over pay relationships would be a desirable goal, whether or not policies are in force restricting employment incomes, and that the consensus should cover the remuneration of those receiving higher incomes from their employers'.

The TUC argues that this sort of agreement does not exist at present, (a point we have made in the chapter). It then goes on to say,

'Progress toward a consensus on top salaries will require co-ordinated action over a number of years by trade unions, Government and employers to achieve a generally agreed bracket for top salaries. The choosing of a larger ratio will require careful judgement and flexibility, but a suitable target might be ... a ratio of about seven to one'.

On present figures this would mean top salaries of £20,000 compared with middle earnings of £2,900.



What do you know about the relationship between the top earnings and the general level in your own enterprise? How would you rate the prospect of agreement on a fixed ratio, as the TUC has suggested? What action could you take in support of this idea?

Some wider issues on fair shares

In the 1976 Economic Review the TUC has drawn attention to some of the wider dimensions of social inequality. It has called for the following reforms:

- Substantial improvements in the rates of benefit and in the scope of the National Insurance scheme.
- The extension of family allowances to the first and to the only child, and the provision of an adequate child benefit scheme in 1977.
- Reform of the income tax structure as it affects low income groups.
- Reform of the finance of the National Insurance system to make it more progressive.
- Measures to increase social and educational opportunity.
- An increase in the tax burden of higher income groups, and
- The legislation of a wealth tax.



What do you think of these proposals?

How far could greater equality be achieved without losing all incentives for extra effort or rewards for skill and responsibility?

Now re-read this chapter, noting your responses to the questions asked, and points to discuss with union colleagues.

Wages and taxes

Mr. B. Smith
Date 18/12/76

	GROSS	
NATIONAL INSURANCE	4	30
SPECIAL FUND	17	
INCOME TAX	8	4
	21	16

NET WAGE

Read through these quotations which give you some idea of the issues involved when we talk about wages and taxes. Then look carefully at the questions which follow.

Living standards

'People's living standards depend not only on their pay cheque but on their social wage — education, health care, social services, pensions, and so on paid for out of taxes.'

NALGO

'The most important part of the standard of living of most of us depends on the great complex of services we call public expenditure. They are not only the key to the quality of life, they are the key to equality. . . The great advances . . . have come . . . from better education, better health services, better housing and better care of the old, the disabled and the handicapped in life.'

Secretary of State for Social Services

Fairness

'The taxman is the Robin Hood of our time, taking from those who can afford it the means whereby we can pay every worker the wage that really matters, the social wage.'

Mrs Barbara Castle

'The real increase in the social wage, concentrated as it is in areas such as housing and pensions, has had an important effect in redistributing income and in giving disadvantaged groups better living standards.'

TUC

Government spending too much? or too little?

Public expenditure now accounts for about 60 per cent of the national output of goods and services.

'The figure of 60 per cent of the nation's wealth being gobbled up by government spending is misleading — a third of this is redistributed wealth — from the well off to the poorer people. Another big part is because of unemployment, and only one third is real Government spending.'

TGWU Record

Questions for this chapter

- What happens to the taxes we pay — how does the Government spend them?
- What is meant by the 'social wage' — how does it figure in total Government spending?
- Why is the social wage important to trade unionists?
- What should trade union priorities be — for example, higher take-home pay or better public services?

Taxes and public spending

'When I do earn a bit extra, the tax man takes most of it—it's not worth it'.

How often have you heard this sort of remark? Perhaps you feel the same yourself. Nobody likes paying taxes. But at the same time what the Government spends is very important for the general standard of living. It is also important as a means of redistributing income; making our society a fairer place in which to live. (Have another look at the quotations at the beginning of the chapter).

Incidentally, in general, British levels of taxation are lower than in many European countries. This is partly because national insurance payments by both Employers and Employees in Europe are higher than we are used to, which in turn allows them to pay higher pensions and benefits etc.

It is important to remember that direct taxes deducted from your pay are only one source of Government income. We need to think about the other sources open to the Government. And then of course the key question is, where does all this money go? What is it spent on?

Look carefully at the diagrams opposite which give you a simple visual idea of where Government income comes from and how it is spent. It is this total Government expenditure set out in the second figure that people are talking about when they refer to 'public expenditure' as in the quotes at the beginning of the chapter.

These diagrams then refer to total public expenditure. But our particular concern in this chapter is with that part of public expenditure commonly referred to as the 'social wage'.

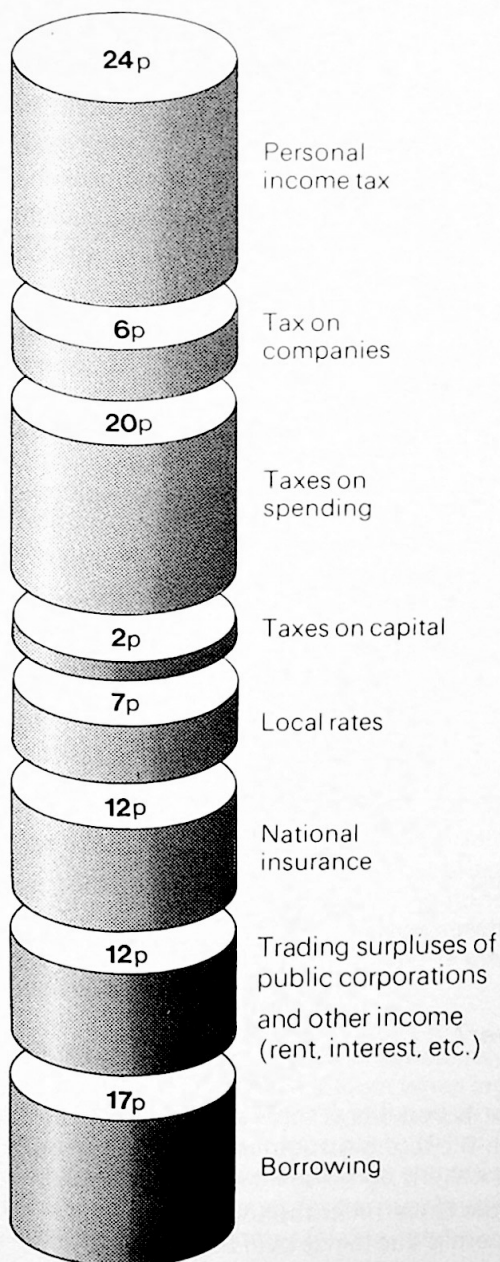
What is the Social Wage?

We looked briefly at this term in chapter 6, what exactly do we mean by it? Look at the following part of a speech made by the Chancellor of the Exchequer in February 1975. 'What the Government is spending on things like pensions, subsidies, education and health amounts this year to about £15 a week for every member of the working population — or £19 per week if we include the building of new houses, schools and hospitals. All this means a direct improvement in the living standards of the British people, that is why this sort of public spending is often called the social wage.' As the term 'social wage' indicates, the Government through its public spending contributes directly to the standard of living of the community. The idea of a social wage is a recognition of the fact that personal consumption is not financed entirely out of take-home pay. In fact, for every £4 of personal spending financed privately £1 of spending is financed by the Government.

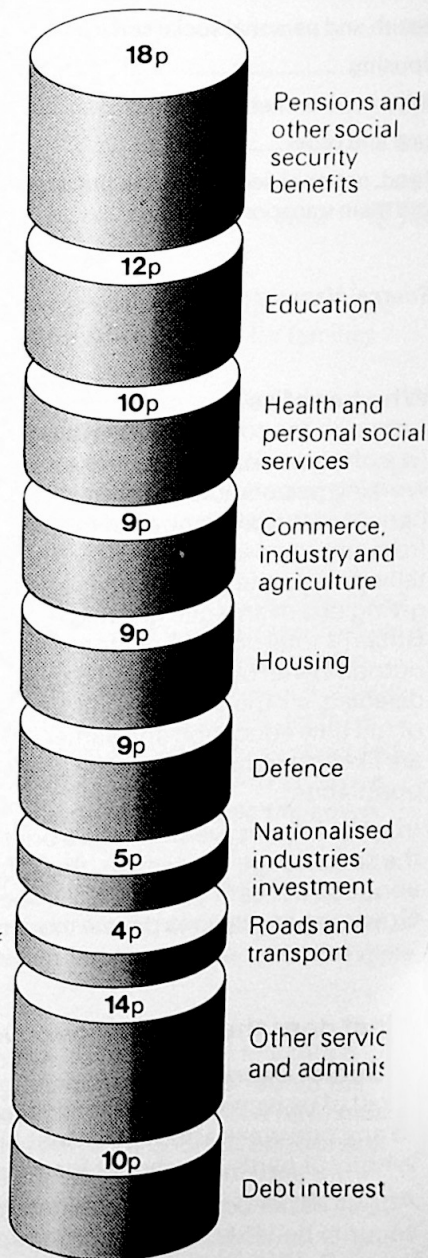
The £19 a week figure mentioned above by the Chancellor is £19 or almost £1,000 per year for each adult member of the working population. Look at

How the money comes and goes

How each £ was raised in 1974/75



How each £ was spent in 1974/75



the following table, it shows how this £1,000 breaks down per item of expenditure.

Social security	£270
Education libraries etc.....	£210
Health and personal social services	£180
Housing	£160
Other environmental services	£70
Law and order.....	£50
Food, nationalised industries, price restraint and main transport subsidies.....	£60
Total	£1,000

Source: Hansard

Who benefits?

Although the social wage is normally referred to as an amount per person (it's often worked out, as in the above table, per adult member of the working population), in practice the social wage is paid mainly for the benefit of the greater half of the population that does not receive income from employment. This is why the quotes at the beginning of the chapter talked about the social wage as a means of redistributing income and giving disadvantaged groups better living standards. If we think of Britain's total population, those earning wages and salaries are outnumbered by the total of dependant children, pensioners, sick or disabled, mothers rearing children, and those out of work. Longer periods of full time education and earlier retirement (both trade union objectives) are likely to reduce further the proportion of wage earners in the population.

In what follows we shall take a brief look at some of the items that make up the social wage (remember, though, the social wage only accounts for about 60 per cent of total public spending. Major items like defence and Government grants to private industry are not included).

What does the social wage cover?

1 Social Security

Most of us receive some social security benefits at some stage in our lives. In any one week about 7 per cent (1 in 14) of the population of Britain are wholly or partly dependant for their income on supplementary benefits.

About 18 per cent of all the money the Government spends is on social security benefits. The proportion spent is due to rise over the next few years. Getting on for £6000m was spent in 1973/4.

The breakdown per item of expenditure is given in the following table:

Spending on Social Security Benefits

(Expenditure by Central Government in £ million 1973/4)

Unemployment benefits	185
Pensions & other social benefits	3,858
Supplementary benefits	730
Family Income Supplement	15
Family allowances	359
Other benefits	312
Administration	282
<i>Source: Social Trends</i>	Total 5,741

As you will see from the table, retirement pensions are the highest single item and account for over half the expenditure while support for families in need was low at that time.

Social security problems: some union views

Unions have often drawn attention to the fact that many of the social wage payments are paid to people only after an assessment has been made of their 'means' or circumstances. This causes hardship and unfairness. Look at what Jack Jones has said about this:

'There are over eight million people of retirement age in this country. Most of them have worked hard throughout their lives and have contributed to the growth in the Nation's prosperity ... millions of them are obliged to submit to a means test in order to get enough to live on. However humane the methods used, means testing is a degrading process which destroys self respect. It has gone on for generations because people have accepted the argument that we should only give benefits to people who can prove that they 'need help', to people, in short, who cannot stand on their own feet.'

Jack Jones TGWU policy document 'What about the Pensioner?'

 Unions have argued strongly that benefit should be a right irrespective of means. What do you think? Is there an important trade union principle involved here?

Unions claim that people who have to rely mainly on National Insurance pensions ought not to be left out when arguments are going on about the share of the national cake. Some people say that the trade unions have not virtually become the trade unions of old-age pensioners. Since pensioners are now tied to average earnings, the more successful the unions are in achieving higher wages for the members, the more successful they are in securing higher incomes for pensioners.

 Should the level of pensions be so closely tied to collective bargaining? What problems do you think this raises for unions?

Unions have also expressed concern about what happens to those who depend largely on the social wage for the necessities of life. This often leads to what is called the 'poverty trap'.

One of the problems of means tested social security is that for many low income families it's a question of the more you earn the more you lose. As Alan Fisher and Bernard Dix of NUPE have put it, the poverty trap is 'created by the coincidence of means-tested benefits and the level at which income tax becomes payable'. What it means for low paid workers at certain earnings levels is that a 'fairly modest increase in pay can lift them above the scope of the benefits while taking them over the tax threshold; thus leaving them little better off—in some cases worse off—than they were before they received the pay increase'.

Alan Fisher and Bernard Dix 'Low Pay and How to End it; A Union View'

In other words any pay rise is largely cancelled out by the effects of higher tax and national insurance, and the ending or reduction of means-tested benefits.

The poverty trap is on the increase. It's affecting more and more people for two reasons:

- a** The range of means tested benefits has widened — the more benefits you provide for poorer families, the more they stand to lose — even with just small additions to earnings.
- b** Income tax is now paid by more people than ever before. Twenty years ago the father of a two-child family had to earn the average national wage before he started paying tax. Ten years ago he had to earn three-quarters the average. Today he pays tax even if he earns only half the average. This is because tax allowances have not kept up with inflation.

2 Education

About 12p in the pound of all public spending is devoted to education, including libraries. Total education spending in 1974/75 was over £5,000m (about £400 on average for each pupil or student receiving education). Education spending is of two sorts:

- a Capital expenditure** This is spending on the basic investment of education, such as new buildings, extensions and equipment.
- b Current expenditure** This is spending on the running costs, such as wages, services, grants etc. The following figures show how much we have been spending on education over the past few years:

Total Educational Expenditure (£1M)

	1972/73	1973/74	1974/75
Capital spending	584	683	602
Current spending	3,133	3,577	4,786

Source: Social Trends

You will see from the figures that the amount we are spending on educational capital, i.e. school buildings, is declining. It may be that in political terms capital expenditure is fairly easy to cut because it is not immediately visible. But the long term effect is considerable.



What are the schools like in your own area?

How many older schools are there that need replacing?

Has your union branch ever discussed education as an issue?

Priorities on education—some union views

Nursery education. Recent Government figures show that 34 per cent of employers' and managers' children, compared with 14 per cent of manual workers' children, receive nursery education.

'The number of nursery places is far below that required, as is well demonstrated by the enormous growth in the number of illegal child minders. And when the children reach school age there is the problem created by the holidays and in the period between the end of the school day and the return of the mother from work'.

USDAW 'Rights for Working Women'

The TUC has called for a major extension of nursery education. This question of nursery education is, of course, also bound up with the whole debate about women's rights.

'The lack of proper child care facilities holds back the development of both women and children. It is now increasingly recognised that good nursery schooling is invaluable for widening the experience of the under-five child ... Bound up with the development of the child is the question of the mother's freedom to choose whether to take up employment, further education, or training for the development of her own talents and abilities'.

Miss E Morgan, AUEW, 1975 TUC Women's Conference

Equal Educational Opportunity. While only 34 per cent of the children of manual workers remain at school until they are 18, 94 per cent of the children of the professional classes are still in full-time education on their 18th birthday. Although the expansion of higher education now provides for 16 per cent of 18 year olds to stay on in universities and colleges, manual workers' children form no significantly greater proportion of the universities' intake than they did thirty years ago.

The 16 to 18 year old group of workers suffer from a severe lack of educational opportunity:

'Of 976,000 young workers under 18 insured for employment in June 1971, 219,000 (22.4 per cent) were attending day release courses at colleges in November of that year. Included in these totals were 476,000 young men in employment, of whom 171,000 (35.9 per cent) were attending courses; and 500,000 young women of whom 48,000 (9.6 per cent) were attending colleges. These figures show that at the end of 1971

over three-quarters of a million young working people . . . were being denied any opportunity of part-time education in working hours. . . The numbers of young workers granted release have steadily fallen during the period in which the Industrial Training Act has been in force'.

'Day Release for Further Education: A discussion Paper' prepared by the TUC

Illiteracy among adults. It's probable that upwards of two million adults have difficulties with basic reading and writing (and this does not include immigrants for whom English is a foreign language).

'As a trade union educationalist I am in a good position to know the terrible handicap workers are under if they cannot read, the loss illiteracy can mean to the trade union movement, and the difficulties it creates for full participation in the work of the union.'

Brian Willey, GMWU Education Officer



Have you ever discussed any of these kinds of issues at your branch or with fellow trade unionists? Is there a local adult literacy scheme in your area, and has your branch helped to give it publicity and support?



Note on Adult Literacy Scheme

Nearly 60,000 men and women with reading and writing problems have come forward to ask for teaching help under the Adult Literacy Scheme which began in October 1975. Many of them have used the telephone number given at the end of the BBC-TV series, *On The Move*, which has been shown on Sunday evenings on BBC-1. Meanwhile, local education authorities have been able to develop literacy classes with the help of a £1 million government grant, although the scheme still depends heavily on volunteer tutors.

The second year of the 3-year BBC Adult Literacy project sees a *new* BBC-TV series, called *Moving On*. This has a higher teaching element than *On The Move*, and has twice-weekly showings that continue into 1977.

Further details are available from Jenny Stevens, BBC Further Education Officer, The Langham, London W1A 1AA. Tel: 01-580 4468 Ext: 3132.

3 Health and Personal Social Services

Health and personal social services are generally provided free of charge for the whole population. Spending on health and social services totals nearly £4000m a year. Most of the money is met by central Government out of general taxation — the rest comes from local rates and National Health Service contributions paid with National Insurance Contributions. Hospitals treated 6.3 million in-patients in 1973. Annually over 300 million prescriptions are dispensed, 27 million dental treatments given, eight million sight tests carried out, and five million spectacles provided.

Some union views on the Health Service

'The National Health Service is our most precious asset; it's been responsible for extending individual freedom in a way which would have been undreamt of years ago.'

COHSE Branch Secretary



Why is a universal National Health Service so important to unions?

Why do most trade unionists object to private medical care? The basic trade union objection to private practice is that it undermines the principle on which the NHS was founded – that *need* should be the sole qualification for treatment and care, not ability to pay.

A question which has recently generated considerable discussion and concern within the trade union movement has been the relationship between private practice and the NHS. Look at the following summary of evidence to the House of Commons sub-committee looking at this problem.

Queue jumping. The ability to pay gives ready access to both out-patients consultation and hospital admission to private beds at a time of the patient's choosing . . . private out-patient consultation can lead to ready access to NHS beds ahead of NHS patients on the waiting list.

Consultant neglect of NHS patients. Consultants concentrate their time on the private patients and frequently place undue responsibility for NHS patients on junior doctors.

Deliberate encouragement of waiting lists. Consultants favour waiting lists as the shorter the waiting list the less the inducement to enter hospitals as a private patient

The NHS subsidises *private patients and private insurance*. The cost of private care does not fully cover costs. Private practice is dependent on provision by the NHS of advanced equipment which private hospitals could not economically support and the NHS takes care of all 'uninsurable' risks e.g. long-term geriatric care and mental health.

Why is Social Provision a Trade Union Objective?

The quality of life

Somebody once said that the 'social wage' is a sum of money spent by the Government on behalf of society as a whole, for the good of all its members whether rich or poor. But the amount the Government spends and *what* it spends money on are major political issues. Look how NALGO has argued recently against planned cuts in public spending.

'Cuts in public spending mean a deterioration in the whole quality of life, a cut in the social wage. They mean that the Government is not honouring its side of the social contract. NALGO and other unions accepted a standstill

or even a reduction in members' living standards for the time being as long as the social wage was maintained. . . NALGO has warned the Government that its policies will inflict great damage on services vital to the community.'

NALGO, 'Public Service'



What does NALGO mean when it talks about services vital to the community?

Why can't these services be provided privately, each of us paying the market price for our education and health services, and so on?

Resources to those in need

The principle involved here is that vital community services should be available to all. *Need* and not the ability to pay should determine distribution. This is a complex issue and raises major questions about the way in which society is organised — it has only been raised in very general terms here.

Investment for the future

All economic activity, whether in the form of manufacturing industry or social and public services, needs investment to sustain it. Market principles, involving payment for services, could not guarantee the right kind of investment in the right place at the right time. Talking about public and social services the TUC has said:

'Working people . . . have a common interest in the improvement of the services and, to a greater extent than other groups in the community, are very dependent on a proper share of increasing national resources being allocated into these fields, into services which are widening in scope and for which, by their nature, there cannot be adequate provision on the basis of separate purchase by each individual.'

TUC Trade Unionism

The Social Wage: Who Pays?

Different types of taxation

By its taxation policy the Government has to decide how to share the burden of public expenditure between the different sections of the population. Taxes can generally be divided into *direct taxes* such as income tax, national insurance contributions, or corporation tax on companies, and *indirect taxes* such as tax on beer and petrol, or VAT applied to a wide range of goods and services.

The system of income tax in this country is often called progressive, i.e. the higher a person's income, the higher the proportion of that income which will be removed in taxation.

'There has been a wide degree of agreement on the case for a progressive income tax, on the grounds that income differences are much greater than differences in the needs of individuals and families, and that people with

high incomes should, therefore, carry a larger part of the burden of taxation.'

TUC Economic Review 1976

Is this what happens in reality? Do those with the broadest backs shoulder most of the burden when we consider all forms of tax?

'According to popular mythology the tax system in Britain is progressive... The reality is quite different, namely that taxation in this country is virtually non-progressive.'

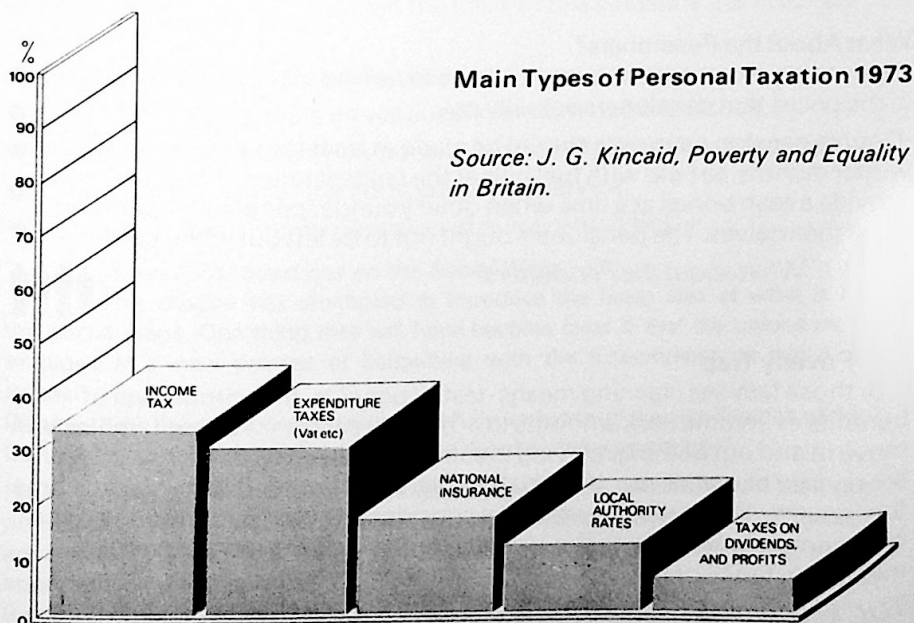
J.C. Kincaid, Poverty and Equality in Britain

The TUC has argued recently that 'the relative burden of tax paid by top groups has in fact lessened in recent years, whilst that of the bottom 60 per cent has increased.'

TUC Economic Review 1976

It's important to remember that the contribution of income tax to total Government revenue is a lot smaller than it often appears to be. Non-progressive taxes such as local authority rates, national insurance, and indirect taxes on expenditure raise, in total, far more money than income tax. Obviously indirect taxes like V.A.T., or those on beer and petrol depend not on ability to pay but on the amount consumed.

The following chart gives you an idea of the contribution of different types of taxation to total revenue:



Another factor that the unions have pointed to as making our tax system less fair and progressive than it should be is tax evasion. The TUC recently had this to say about the amount of tax avoidance and evasion:

'Recent newspaper articles and reports by the Department of Trade Inspectors have shown how unscrupulous men have been able to make a great deal of money and pay little tax in the shady world of property speculation and fringe banking . . . Conscientious tax payers in all income ranges will lose confidence in the fairness of income tax if it seems that some people, who often do not contribute anything to the material well-being of society, contrive to dodge the Inland Revenue'.

TUC Economic Review 1976

Trade Union Policy and the Social Wage

From what's been said so far, you can see that the social wage is of very great importance to the standard of living of working people. It's possible that the members you represent do not respond to cuts either in actual spending, or cuts in future growth, as they would if your employer decided to cut wages. But it's part of your obligation as an active trade unionist to draw attention to the relationship between social wage spending and living standards. This has become much more important over the past few years as unions, through the TUC, have been involved in a social contract with the Government, much of which is about the social wage. (See chapter on the contract).

In what follows, a brief look will be taken at some of the current policy thinking within the trade union movement on social wage issues.

What About the Pensioners?

'Every three months, pensions should be reviewed in relation to increases in the prices that pensioners actually pay.'

'Double pension payments should be made at least four times over the four winter months, to help with fuel bills at the coldest times of the year, and provide a cash bonus at a time when other younger people are spending more themselves. The pensioners ought not to be left out in the cold.'

TGWU, 'What about the Pensioners?'

The Poverty Trap

'For those families claiming means-tested benefits, the withdrawal of benefits as income rises amounts to a 'poverty surtax' . . . Some families will move in and out of the qualifying income range each time income scales are revised or wages rise. If all the benefits were awarded for a year at a time the 'poverty trap' problem would be considerably lessened. However, the only complete solution to the 'poverty trap' will be the replacement of means-tested benefits.'

TUC Economic Review 1976

Tax Evasion

'The drive against the avoidance of tax should be continued. There should be stiff penalties for late or incorrect accounts. Further action is needed to prevent the flow of funds to tax havens and to ensure that fringe benefits are taxed at their full market value.'

TUC Economic Review 1976

Wealth Tax

The chapter on fair shares looked at the distribution of wealth generally and the extent to which taxes can be used to produce a fair distribution. But a wealth tax would have a bearing on the social wage. Unions have always argued that the funding of the social wage by the fairness of the taxation system, is just as important to trade unionists as the *distribution* by Government of social wage resources.

In the 1976 Economic Review, the TUC stressed that 'The General Council ... attach a high priority to the legislation of a wealth tax'.

Education

'Although a fair distribution of income and wealth is the basis of social equality it must be accompanied by equality of opportunity. However, Government statistics show a marked difference between social classes in educational provision and educational attainment.'

TUC Economic Review 1976

We looked earlier in the chapter at some of the facts and figures on educational opportunity and on the basis of this evidence the TUC has called for:

- Expansion of day release facilities for young workers.
- Provision of adequate educational maintenance allowance.
- Establishment of a comprehensive system of secondary education.
- The development of the adult education service.
- Greater local authority provision of nursery facilities.



Some Final questions on the Social Wage

This chapter has attempted to introduce the basic idea of what is called the social wage. One thing that will have become clear is that the unions are now engaged in a new process of bargaining with the Government on social wage issues.

Do you think the members you represent fully understand the significance of this?
Do unions do enough to stimulate debate about social wage issues?

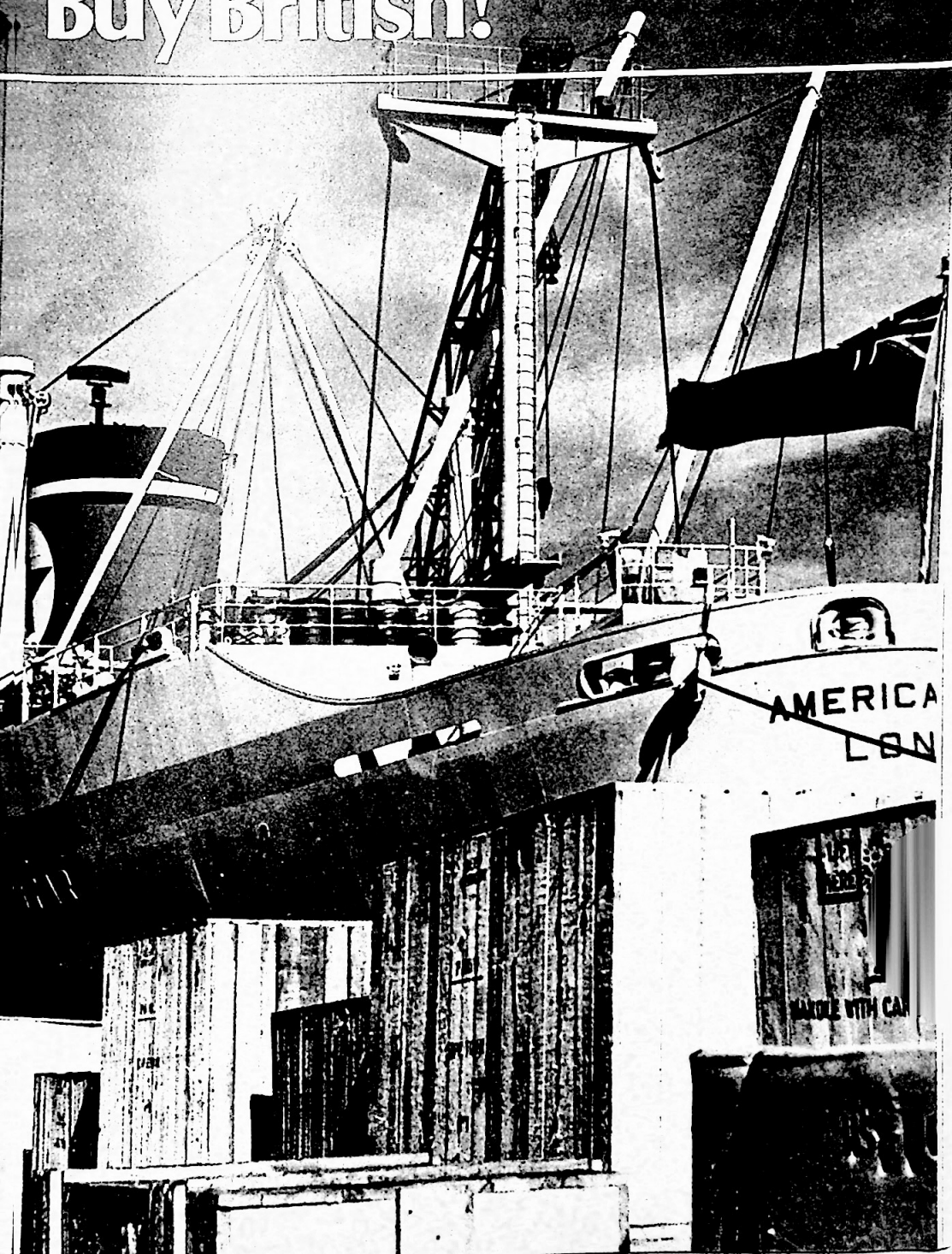
Many people, often trade union members, say that the unions should stay out of politics, leave it to the political parties and the Government. But social wage issues are political issues. How would you answer those who argue for a non-political approach to trade unionism?

Is such an approach possible?

● From what's been said you can see that the social wage can be as important a part of some people's income as take-home pay. What should the priorities of trade unionists be for the future – higher take-home pay which you can spend as you choose, or better social services from which you may or may not benefit personally?

Now re-read this chapter, noting your responses to the questions raised, and the issues to discuss with union colleagues and members.

Buy British!



Read through these quotes which give you some idea of the issues behind arguments to 'Buy British', then look carefully at the questions that follow.

'For every two pounds that we spend on British goods and services, we spend one on imports from abroad'.

Peter Donaldson 'Illustrated Economics'

'... what I am asking is what wherever there is a suitable British product, then that should be the natural preference of the British consumer. It is so in Germany and in France and certainly in Japan. I would like consumers to make a practice first of considering British goods and second of asking their retailers when British goods are not on display whether British alternatives exist. I am also asking British firms to make their contribution'.

Peter Shore, Secretary of State for Trade, speaking in London, August 14 1975, quoted in Trade and Industry, 22.8.75

'The aim should be to find ways of reducing the import of selected manufactured and semi-manufactured goods which the U.K. has a capability to produce itself. Direct controls should be imposed on certain goods... In public and private industry all possible ways should be examined of saving imports. Controls by themselves will not automatically solve the balance of payments problem, but they will allow an opportunity for finding ways of restructuring British industry to make the country less dependent on imports'.

TUC Economic Review 1975

Questions for this chapter

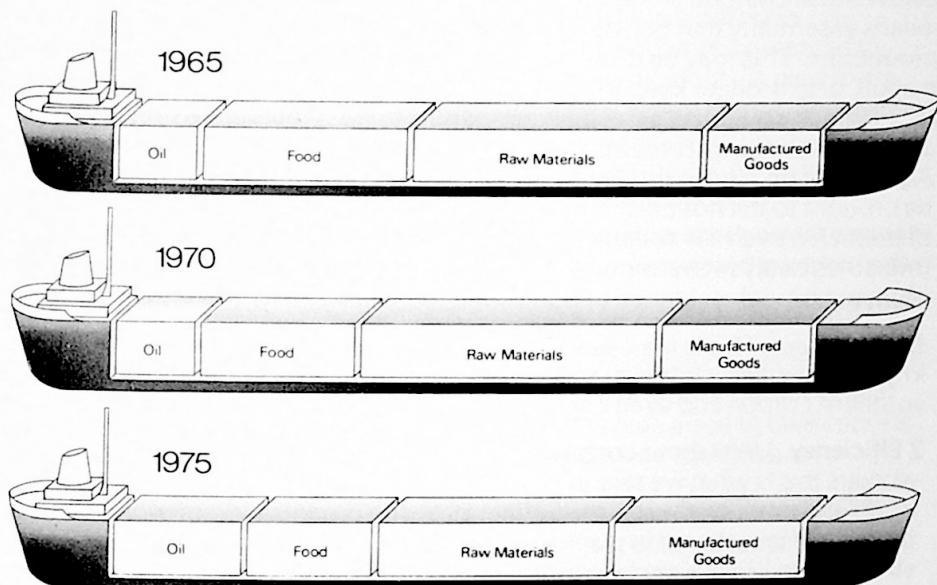
- Why do we import goods?
- Imports are a problem because of their impact on the balance of payments. What does this mean, and is the balance of payments an issue for trade unionists?
- What is the trade union case for import controls?
- What policies should unions be urging apart from import controls to make the products of British industry more competitive?

What do we import?

It is fairly obvious that a total policy of 'Buy British' is just not feasible. We will always need to import some things, particularly in the area of food and raw materials which we can't produce ourselves or could only produce by artificially creating conditions that exist naturally in other parts of the world. But food and raw materials are not all we import.

Look carefully at the following chart that shows you how the pattern of imports has changed from 1965 to 1975, breaking imports into the categories of oil, food, raw materials and manufactured goods. What changes can you see in each of these categories?

Imports



One thing should strike you immediately from the chart and that is that those categories of imports on which we are most dependent because we do not have the natural resources or capability to produce them in this country (food and raw materials) have in fact become less important in the total pattern of imports.

One natural resource to which this does not apply however is oil, as you can again see from the chart. The increasing importance of oil in our total import bill is largely due to the tremendous leap in oil prices in the last few years.

The category which has seen the most substantial increase in imports is the category of manufactured goods. Manufactured goods, which could easily be produced domestically in our factories, are now a more significant component of our total import bill than food. It is this trend of steadily rising imports of manufactured goods that we are really concerned about when we talk about Britain's import problem.

Why do we import?

Why is it that we import goods that at first glance we could just as easily make ourselves? In terms of economic rationality, the most obvious reason is that foreign goods are cheaper. If you think of your own buying habits this will certainly be one reason why you buy, say, clothes made in Hong Kong rather than clothes made in Britain.

1 Cheaper goods. There are a number of factors that can account for the comparative cheapness of certain foreign goods. For example:

Dumping. This can be said to occur when goods are sold to us at prices below those charged in the home markets of the exporting country. This means essentially that goods are sold at prices that do not cover costs of production. This may be done in order to get a product established in a new market, or in order to keep a labour force together during a period of recession. It obviously can't pay companies to do it forever. In fact, there are international agreements that outlaw dumping under the General Agreement on Tariffs and Trade (GATT); and accusations of dumping can be brought to the notice of the GATT head office. This at least creates a bit of publicity, even if it doesn't stop the practice. In the case of some industries badly hit by imports, such as textiles and clothing, there does not seem to be much evidence of dumping.

Cheap labour. This is the usual explanation for the lower prices of imported textiles, clothing, and footwear. Labour is, of course, cheaper in southern Europe and even cheaper in Africa and South-East Asia.

2 Efficiency. Unit labour costs do not only depend on the wages of the workers this is what we saw in chapter 3. They depend also on productivity levels and productivity in turn is affected by the organisation of work and the level of investment in plant and machinery. Both chapters 3 and 6 stressed the 'vicious circle' consequences of low productivity in terms of higher unit costs, higher prices, and inability to compete with foreign goods. Looked at in this way, our import problems are inseparable from more general problems of the low efficiency of British industry.

'The problem of high levels of import penetration of the UK market for manufactured goods is closely linked to the poor performance of UK manufacturing industry'.

TUC Economic Review 1976

Poor industrial performance does not only affect the *price* of goods; it has also meant that the economy 'has not been able to meet peaks in demand either of foreign or domestic origin' (TUC Economic Review 1976). The consequence of this is inevitably an increase in imports to meet unsatisfied home demands and a loss of potential export markets.

Low investment in product development can also lead to an inferior range of goods in the UK, again encouraging consumers to buy foreign rather than British.

Poor performance in a particular industry over an extended period can lead to the total collapse of the industry under pressure of foreign competition. Where this happens, as in the case of motor cycles or T.V. tubes in the U.K. recently, a policy of 'Buy British' becomes meaningless — the British product does not exist to be bought.

3 Company policy. Once we start looking at the question of industrial efficiency and the impact of investment policy on import levels, it becomes clear that we cannot explain our import problem totally in terms of consumer preference for cheaper foreign goods. It is evident that

companies themselves have a powerful impact on import and export patterns through their investment policy and product development policy and so on. A company might decide that it is not in its interest to manufacture a particular product in this country and choose instead to direct investment abroad. Once again this automatically puts paid to any policy of 'Buy British' since the British product is non-existent. The question of how large multi-national companies divide up production between different plants in different countries can therefore have a profound impact on our need to import manufactured goods.



Can you think of any recent investment or product development decisions in your company that could have an influence on our need to import certain goods, on our ability to 'Buy British'?

4 Helping underdeveloped countries. Another important factor that can influence our levels of imports is our policy towards underdeveloped countries. There has been a conscious policy in some areas to take imports from underdeveloped countries in order to help these countries to advance.

If colonies and ex-colonies have only cheap labour to offer on the world market and cannot adopt modern machine production methods, they will never be able to advance. So the developed countries have been encouraged to help the underdeveloped by taking their imports of textiles and other infant industries. 'To share the burden', as it was called, an international trade agreement on textiles was reached, the Multi-Fibre Agreement (MFA). This was designed to permit the expansion of trade in textiles, in order to help the underdeveloped countries. It came into force at the beginning of 1974.

Why do increasing imports matter?

The following quotation from the TUC Memorandum on 'Import and Jobs' puts forward two reasons why imports matter. We examine this in more detail in the following section.

'High import penetration of key manufacturing sectors will thus cause two severe economic problems over the winter if current trends continue. Firstly, UK workers will be made redundant or be placed on short-time whilst imported goods maintain or increase their share of the UK market. Secondly, the tendency for imports to rise faster than UK production at a time of economic growth, thus worsening the balance of payments, will hinder reflation of the domestic economy'.

Imports and jobs

The immediate response from most trade unionists would be that more imports from abroad means less jobs at home. This has certainly been the very real experience of trade unionists in industries badly hit by imports. For example, only thirty years ago the textile industry was employing a million and a half workers, more than half of them women, and accounted

for an eighth of all U.K. manufactured output and a quarter of all exports. Over the last twenty years all those figures have been halved or worse. Today, 'the recession in the British textile industry' is described by the British Textile Federation (which includes representatives of both employers and unions) as being 'greater than at any time since the 1930s and there is grave danger that the industry will suffer irreparable damage unless steps are taken to ensure its survival'. 'The central cause of our difficulties', said Michael Meacher, Under Secretary of State for Industry, in the House of Commons, 20.3.76, 'is the combination of import demand in conjunction with the collapse of demand at home and abroad'. In other words, sales are down everywhere and what business there is, will be going to the companies in Italy, Greece, Turkey, Hong Kong, the Phillipines, South Africa, Korea, whose products sell in Britain cheaper than the products of factories in Lancashire and Yorkshire.

It is the same story in the motor industry where in value terms imports in 1975 were 68 % up on 1974.

'The motor industry is ... suffering from declining domestic demand, stagnant exports and increasing imports. As a result production has been cut by over a fifth and employment has fallen by 38,000 between June 1974 and June 1975'.

TUC Memorandum to the Prime Minister on 'Imports and Jobs'

Other industries where jobs have been badly hit by increasing imports are motor cycles and telecommunication, electronics and domestic appliances.

Imports and the Balance of Payments

Another possible answer to the question 'why imports matter' is that they affect the 'balance of payments'; this is the answer an economist might give. But what exactly does this mean? And how does an abstract thing like the balance of payments affect trade unionists?

Put very simply, all imports need to be paid for or balanced by exports—either 'visible' exports in terms of manufactured products, or invisible exports. 'Invisible' exports arise from payments by foreigners to UK residents for a variety of services—like travelling on a British ship or airline, using British banks, insurance or commodity markets, or having a holiday in Britain.

The relation between *visible* exports and imports is what is meant by 'trade figures'. And the all too familiar phrase 'trade gap' that we read regularly in the newspapers refers to the fact that what we earn from exports is never quite enough to pay for the goods we import. The postwar years saw a dramatic narrowing of this 'trade gap' only for it to be widened again by recent increases in oil prices. At times in the past the earnings from 'invisible' exports referred to earlier have been enough to offset this trade gap or trade deficit and give us a favourable balance of payments. But recently they have not. This in a nutshell is our 'balance of payments problem'.

How does the balance of payments problem affect us?

When the incomings of an individual do not cover his outgoings then he has to borrow — and this is precisely what happens when the incomings of a country (from exports) do not balance outgoings (paying for imports).

All borrowing has to be repaid and this means less resources available for other vital policy areas like public expenditure.

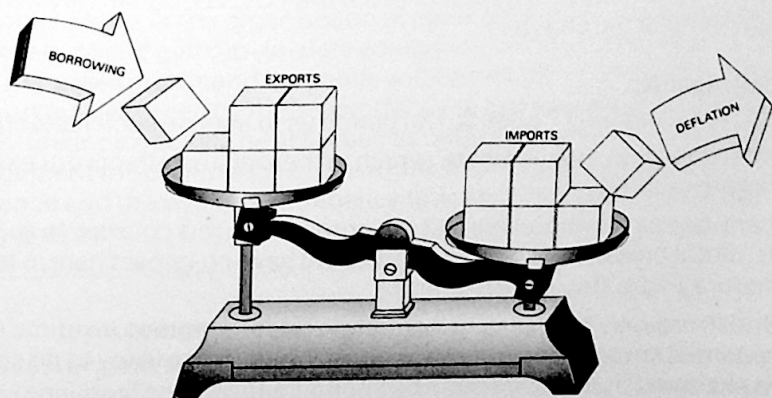
Borrowing can also mean that 'strings' are attached by those who lend us the money and this can impose constraints on Governments in carrying out their policy commitments. For example, a loan from the International Monetary Fund might be conditional on the British Government not pursuing a policy of import controls.

A continuing balance of payments problem also imposes constraints on the kind of reflation that is needed after any 'downturn' of the economy, to bring about a drastic reduction in unemployment. The Government is reluctant to increase home demand to any great extent because this would make the balance of payments problem worse by increasing demand not only for home-produced goods but also for imported finished products, components, or raw materials. Trade unionists are asked instead to exercise wage restraint so that consumption is held back, demand for foreign goods is reduced, and industry is forced to expand its sales in foreign markets. This should have the result of cutting imports and increasing exports.

These types of Government policies tend however to perpetuate the 'stop-go' cycle which spells insecure fluctuating employment for work people. The Government has to hold back in the upswing in order to avoid a flood of imports and take money out of the economy, reducing demand by increased taxation and wage restraint. This is what we mean by 'deflation'.

The role of borrowing and deflation in tackling our balance of payments problem is illustrated visually below:

So by borrowing, the government can — in the short term — help fill the payments balance left by inadequate exports, and a policy of deflation can cut the imports bill. But both policies spell problems for trade unionists.



To sum up, you should have a clearer idea now of what an abstract thing like the balance of payments means for trade unionists — and the message is a grim one. A continuing balance of payments problem spells continued wage restraint, insecure jobs and falling living standards in the sense of reduced consumption and poorer public services.

Trade union policy and imports

In their Memorandum to the Prime Minister on 'Imports and Jobs', 1975, the TUC urged that the Government 'should fundamentally modify the free trade philosophy and follow a coordinated trade and industry strategy designed to prevent the further erosion of UK manufacturing industry. The criterion of maintaining the manufacturing base against imports should be accepted as grounds for investment assistance'.

As this quotation suggests, there are essentially two aspects to TUC policy on imports:

- 1 A call for selective temporary import controls
- 2 A call for a coordinated industrial strategy which will strengthen the efficiency and competitiveness of UK manufacturing industry.

Import Controls

In the 1976 Economic Review the TUC argued that

'Temporary selective quotas to prevent any further increase in the volume of imports of motor cars, motor car components, electronic components including TV tubes, cutlery, textiles, clothing and footwear should be set. Job losses in these industries have been severe over the last 24 months but import penetration has been maintained or increased'.

The case for

- there is an immediate beneficial impact on jobs.
- there is an immediate beneficial impact on the balance of payments
- we will have a 'breathing space' in which to explore ways of restructuring and improving the competitive performance of British industry. (look back at the quotation from the TUC Economic Review at the beginning of the chapter)

The case against

- EEC rules and GATT rules do not permit us to impose such restrictions.
- other countries may 'retaliate' which in the long run affects our exports so we gain nothing.
- many goods we import are just not produced in this country (e.g. T.V. tubes, motor bikes) so import controls could have no impact here in terms of encouraging a 'Buy British' policy.
- British industry has failed to restructure under the pressure of international competition; so why would it be any more likely to do so when sheltered from competition by import controls?

- The cost of living rises when consumers have to buy 'expensive' home products rather than 'cheap' imports.
- If the time for 'restructuring' inefficient British industry could take up to three years, could we maintain controls on imports for that length of time?

The need for an Industrial Strategy

The TUC and other unions advocating import controls have stressed that they do not see import controls as a total solution to our balance of payments problem, as the TUC quote at the beginning of the chapter illustrates. What the unions are arguing for is *temporary* controls in *selected* areas where it is clear that the benefits outweigh the advantages. As to the question of whether or not we are actually permitted to introduce such controls under EEC or GATT rules, the TUC has pointed out that the rules of GATT (Article XIX) do allow selective import quotas where there is a danger of disruption to employment in sensitive industries; and the French Government in the EEC has in the past operated such controls when it was in the same kind of difficulty that Britain finds itself in today. There is little actual evidence that where countries have introduced temporary selective controls this has resulted in 'retaliation' from other countries.

The most powerful case against import controls would appear to rest on the argument that British industry has not restructured itself under competition, so why should it do so under the protection or 'breathing space' afforded by import controls? It is precisely because of this failure of British industry to overcome of its own accord certain deep-rooted structural problems that unions have advocated a new approach to the planned restructuring of British manufacturing industry through a tripartite industrial strategy. As we indicated earlier such a strategy represents the second arm of TUC policy on imports.

'Government action to hold the volume of imports must also be accompanied by assistance to industry for investment and restructuring. This will have the dual effect of reviving activity in the capital goods sector and thus the rest of the economy, and raising the performance of industry through changes in the organisation of companies and the replacement of obsolete capacity with up-to-date equipment. With imports kept at 1975 levels increases in demand for goods will be met from home production and workers displaced by higher productivity techniques as well as those already unemployed will be absorbed as output expands. This will give management the confidence to make maximum use of Government assistance and the workers confidence to accept changes in working arrangements.'

TUC Economic Review, 1976

Union action at company level

The necessary restructuring of manufacturing industry will not take place unless individual companies change quite radically many of their existing

policies on investment, product development, marketing and so on. The key question for trade unionists must therefore be, what can they do in their company to ensure that the necessary changes do take place, and that company policies improve rather than exacerbate the import-export balance.

The TUC Industrial Strategy Checklist for Trade Union Representatives mentioned already in earlier chapters (see pages 40-41) provides a checklist of questions on import policy that trade unionists can take up with their companies. The first part of the checklist is concerned with import penetration levels (i.e. the percentage share of imports in total sales on the domestic market). This is really a question that can be best monitored at sector or industry level.

But the subsequent questions in the checklist on import substitution and purchasing policy can all be taken up by trade unionists in individual companies, with their managements.

(i) Generally speaking there should be no further increase in IMPORTS PENETRATION above present levels and in certain sectors strong efforts should be made to reduce the import penetration CEILING figure. The import penetration ceiling figures should be agreed as a matter of urgency.

Will companies and sectors set import penetration ceilings for the next three years?

(ii) Will companies consider measures needed to promote import substitution and the impact on domestic output?

(iii) Will companies review purchases from abroad and the extent to which requirements could be met from UK resources?

(iv) Unions in the distribution sector should press for full information on purchases from abroad. Can distributors buy more British goods?

TUC Check List from TUC Economic Review, 1976



To what extent does your company import components, raw materials and capital equipment from abroad? Could any of these be bought from British sources?

Is there any scope in your company for research and development on import substitution—i.e. the development of British products which would serve the needs of individual consumers or other companies which are at present served by the purchase of foreign goods?

The TUC have stressed that planning agreements could play an important role in the area of import and export policy at company level:

‘Planning agreements both with manufacturing and retailing companies should also include the import/export balance of the company thus enabling the Government to influence the extent to which large companies import goods. The retailing of many consumer durables and of textiles, clothing and footwear are dominated by a few very large companies and a relatively small change in their purchasing policy can have a very large impact on U.K. manufacturing industry. The detailed

involvement of Government Departments and agencies in the search for import substitutes will also produce a vast amount of detailed information on the reasons for the U.K.'s high import penetration level. This information which will no doubt cover all aspects of manufacturing and marketing should be fed back to industry so that modification in company plans and the broader industry by industry strategy can be made. In line with the N.E.D.C. discussion on import saving there should be a general directive to Government departments and public authorities on import saving'.

TUC Economic Review, 1976

These are the kind of agreements that one union, ASTMS has suggested might be included in the section of a planning agreement concerned with import and export policy:

- a** It has been agreed by the company that, as a matter of principle, import costs will be minimised and export revenues maximised within the confines of commercial viability and employment potential.
- b** The company has also agreed to research into, and if appropriate develop, import substitutes. The Government has agreed to a grant of 40 % of research costs up to a limit of £x and 50 % of the development costs up to a limit of £x for such mutually approved projects.
- c** The company has agreed to intensify its sales effort overseas. The Government has agreed to provide a grant of £x for language proficiency tuition.
- d** The company has agreed to a global limit of £x for investment in its overseas subsidiaries for 1975-77'.

*'The Crisis in British Economic Planning and a Draft Planning Agreement',
A Discussion Paper from ASTMS*

In reading this chapter you've probably noticed that when the import problem is approached from the wider perspective of the poor performance of UK manufacturing industry in general, it is clear that many other areas of union policy discussed earlier in this book — particularly those concerned with productivity and efficiency — also have a vital contribution to make to the solution of this problem.

You will also be able to appreciate the argument in this extract from an article in the GMWU Journal (1976):

'Britain is, and must remain, an exporting country, and if we are producing manufactured goods which are uncompetitive on the international market, we shall see a continuing decline in our living standards.

It is therefore in our interests to produce goods which other countries will want to buy from us — such as plant and machinery and the more sophisticated types of consumer goods.

At the same time we must progressively abandon (or at least reduce the

size of) industries which are certain to become more uncompetitive and where we may stand to gain, as consumers, by importing lower priced goods from the Third World.

By thus boosting employment and investment in developing countries, we should expand their demand for the goods which we continue to produce. However, to ensure that this process of change does not result in damage to employment and living standards it must not be left to happen through the unpredictable operation of market forces but must be subject to rigorous control by governments.

This would mean:

- (a) Direction of investment into appropriate new industries along with parallel phasing out of old ones;
- (b) Re-training of displaced workers on full pay at government expense;
- (c) Making agreements with other countries on the volume and value of trade. This could mean controlling the amount of goods coming into the country on a year-to-year basis and thus make possible the orderly phasing out of those industries with no long-term future, so that workers would only be displaced in line with the capacity of new industries (and retraining facilities) to absorb them.

At the same time it would ensure guaranteed outlets for the new industries which would otherwise be subject to the threat of excessive competition from other countries (developed or developing)*.



How far do you agree with the argument here and the policies proposed? However desirable the policy might be, it implies a reorganisation of world trade as well as effective social control over investment and employment within our country.

What changes of attitudes will this need? How *practical* do you think it is?

What policy does your union have on these issues? What priorities would you like to see the union adopting, and what further practical steps might it take to protect the long term interests of the membership?

Now re-read this chapter, section by section, noting down your responses to the questions raised, and the issues you would like to discuss with your colleagues at work and in the union.

Workers of the world



This chapter picks up some of the issues we looked at in Chapter 9, *Buy British!*, and is a follow-up to the chapter on *Multinational Companies* in Book One of *Trade Union Studies*. If you're making a study of the international aspects of trade unionism you should look at the three chapters together. Even so, this reading can only give an introductory and limited view of the international problems facing not only unions, but also national governments. If you do the follow-on postal course (see page 130) you will be able to gain a fuller picture.

We've already seen that it's not possible to ignore international influences — even on issues that affect unions at workplace level.

In Chapter 3, for example, we saw how job security and job prospects can be closely related to the competitiveness of British industry in international markets.

And the last chapter made clear the crucial significance of the balance of payments and British trade policy for the standard of living of *all* workers — whether or not engaged in export industries.

Throughout the book we've stressed that these are not matters that can be left to a few specialists at head office or at the T.U.C. The policies discussed at national or international level can only have effect if they are pursued by local union representatives in their own companies. It's little use, for example, passing a resolution at the TUC Congress or at your union's conference, on protecting jobs in Britain if your own company is directing its main investment effort overseas.

Questions for this chapter

The general question we shall be looking at in this chapter is:

- What does the growing dominance of multinational companies in world trade mean:
 - for unions?
 - for governments?
- In particular, how are job prospects affected by investment decisions of large companies, and their pricing policies?
- Then we ask: What issues face trade unionists in taking action:
 - at company level?
 - at the level of the national economy?
 - at international level?

Why companies go international

The size and nature of the operations of the giant multinational companies, both those based in Britain and those based in the U.S.A. and elsewhere, but operating in Britain, was described in the last chapter of *Trade Union Studies*, Book One. It was shown there that overseas production by the top British manufacturing companies was equal to at least a half of their home production. Some companies like Unilever, British American Tobacco, Dunlop, British Oxygen, EMI produce as much overseas as in Britain.

Taking overseas production together with exports from home production, total sales overseas by the giant companies are generally in excess of their home sales. The fact is that to sell in the home market in competition with the foreign giants, a company has to penetrate foreign markets. To establish a brand name, advertising must be world-wide; to keep up with the latest developments in fashion and technology it is necessary to be operating in every market; to insure against recessions or strikes in any one country both production and sales must be widespread, and to take advantage of different levels of economic and technological development in different areas, transnationally operating companies conduct a whole orchestra of production centres and offer a whole range of different models and products. Thus, tractor engines may be made in Germany, the electronics in Southern Ireland, other component parts in Britain and the whole may be assembled in India; and while a brand new model will be offered to the sophisticated farmers in Britain, something much simpler and quite old fashioned may be made for the Indian farmer.

The point is that no company can nowadays survive in business if it does not make profits that are adequate for it to accumulate capital for investment in new and more efficient techniques. The scale of modern technology means that it is only the giant companies, operating *internationally*, which are the centres of *capital accumulation*. They alone have the resources for Research and Development on the necessary scale, the access to supporting finance, the power to fix their own prices, the influence over government taxation policies and other legislation, so they can achieve what are in effect monopoly profits to sustain continuous capital accumulation.

What are the economic consequences of this process?

a At national level

Some of the effects of these economic forces of capital accumulation have been summarised in the 'Multinational Charter' of the International Conference of Free Trade Unions:

'Conceiving company policies on a world-wide basis, and with production and assembly facilities in many different countries, they can juggle exports and imports by fixing artificial prices for transfers between the parent firm and/or its foreign subsidiaries. They can also manipulate dividends, tax payments and capital movements in ways which often escape the control of national authorities. There is no doubt that some of the financial and trading practices of these companies have had serious repercussions on the implementation of the policies of many governments in respect of the balance of payments, domestic industrial development, inflation and national economic planning in general.'

b For unions at company level

The operations of multinational companies are a major problem for unions, because such companies can do a range of things which the smaller British company, without overseas connections, cannot. Some of these were

outlined by Charles Levinson, of the International Chemical Workers' Federation:

'the operation of transfer pricing techniques in order to minimize profits and taxes in the parent country where unions are usually strong;
the accumulation of a large part of gross profits in foreign tax havens where the company has no collective agreement, thereby reducing recorded earnings in the production units for purposes of collective bargaining;
transferring surplus production from one country, usually by increasing overtime, to clients in another country where its plants are strike bound;
withstanding longer strikes in one or two countries force lower settlements due to the fact that the cost of the strike and losses in sales or exports can be compensated by substitution elsewhere;
the progressive shutting down and transferring of high-cost operations or less modern plants to foreign locations as part of a world-wide rationalisation programme, without planning and negotiation with the unions involved;
intensifying geographical specialisation of parts of production in order to reduce the effect of a labour dispute in any one country on overall sales;
introducing companywide systems of job classification, wage systems and work load standards according to a centralised plan of application and control which is difficult for a local union to monitor effectively;
setting limits upon local management in negotiations.'

Charles Levinson, International Trade Unionism, p.97, Allen and Unwin

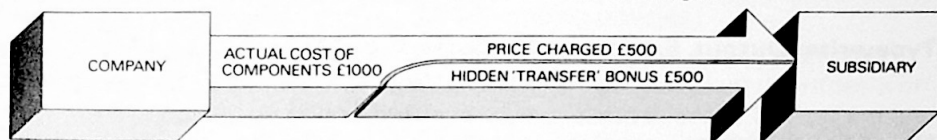
Transfer pricing

Many of Charles Levinson's points were explained in Book One — but let's look again a little more closely at his first point.

Transfer pricing is one way capital can be accumulated in one country and switched for investment in production elsewhere, through the operations of the multinational companies. In Britain's trade today probably a half of all goods originate in a few giant multinational companies and as much as a third consists of transfers of goods *inside the different parts of such companies*. The values of these goods enters into the values of U.K. imports and exports, but the prices at which these transfers are made is not decided in the open market. This means that the values entering the Balance of Trade of any country are in effect the result of decisions made inside the multinational companies. The parent company decides; and this *transfer pricing*, as it is called, is the main way in which multi-national companies move capital from one country for investment in production in another or for temporary safe-keeping in a third. This procedure was described in *Trade Union Studies* — Book One, but it may be recalled here as one of the ways that capital moves from place to place, to take advantage of lower taxes or cheaper labour or a relatively strike-free labour force.

Transfer pricing

In this example in effect the subsidiary company has received a hidden transfer bonus of £500 which is the difference between the normal price and the price charged.



This is how the problem is seen in the NALGO Economic Review:

'When a multi-national company sells goods from one subsidiary to another in different countries the goods count as exports or imports but the company is free to choose the price at which the transfer takes place since it is selling to itself. If it chooses a price related to cost then there is no problem. But if the price is lower than cost then the selling subsidiary will show a loss and the exports of the selling country will be measured as lower than they actually are. Similarly if the price is above cost the selling subsidiary will show excess profits and exports will be measured as higher than in reality. For the importing country the consequence would in the first instance be a lower import bill and in the second a higher one. By choosing the appropriate transfer pricing policy the company is able to move profits and capital from one country to another without any controls. It is therefore able to avoid high levels of profits taxation and to withdraw capital from countries where the profit rate or the political situation is unfavourable. There is very little evidence on the matter since companies obviously keep the figures confidential.'

Here are two case study examples of what we have been talking about:

1 Imperial Typewriter Co.

The Imperial Typewriter plants in Britain were closed down in 1975 by the United States based conglomerate company, Litton Industries, which had bought Imperial in 1966 and had then decided to transfer production to West Germany. The case of the trade union action committee at Imperial for receipt of government aid to maintain production in Britain was given in *Trade Union Studies Book One*, chapter 10. The UK plants were closed because they were said to have been making losses for the company, but the unions argued that the reason had been lack of investment in new plant in Britain and continued production of an old-fashioned model, while all the investment in new models had gone to Adler, the Litton Industries subsidiary in West Germany.

The issue for the unions was that the take-over of Imperial by Litton in 1966 had been aimed simply to take over Imperial's markets in the UK and overseas, despite the promises that were given at the time to continue production in Britain. In fact, production was kept going in Britain with old machinery imported from the USA when Litton closed their Lymington plant. New machinery brought in from Holland was never used. New models were increasingly imported from Germany as the old models which still had some sale in the US and in ex-British colonies were phased out. The same process seems to have been taking place with Olivetti, the other

typewriter company producing in Britain. For, the extraordinary situation reached in 1972 was as follows:

Typewriter Output, Exports and Imports, U.K. 1972.

	Electric	Non-Electric (over 22 lbs)	Portable	Total
No. of Typewriters				
U.K. Output	150,000		270,000	420,000
U.K. Imports	85,000	56,000	185,000	336,000
U.K. Exports	40,000	124,000	247,000	411,000

Value of Typewriters (£m)

U.K. Output				c. 12
U.K. Imports	10	3	3	16
plus parts				5
U.K. Exports	3	5	3	11
plus parts				2

This meant that virtually all the typewriters produced in Britain were being exported. Almost the same number were being imported, but the *value* of imports including parts, was almost double that of home produced exports. Some part of the difference in value is explained by the larger proportion of more expensive electrical and heavier machines in the import figures. But to many trade unionists it seems as though at least part of the explanation is the policy of the company in obtaining government grants for investment, even in old machinery in Hull and Glasgow, using relatively cheap labour in Britain compared with the USA, and applying pricing policies that revealed losses where taxes on profits were high as they were in the UK. So long as labour in the UK was cheap, the old typewriter models could be exported to the USA and elsewhere, but as labour costs rose, the operation showed heavier losses with prices set artificially low.

2 The Foreign Drug Companies

Foreign drug companies provide a large proportion of the National Health Service drug supplies—in 1970 American owned subsidiaries in the UK supplied about 50 per cent, Swiss subsidiaries about 14 per cent and other European company subsidiaries about 10 per cent, leaving only 26 per cent to be supplied by British firms. The biggest Swiss firm, and largest pharmaceutical manufacturer in the world, Hoffman La Roche may be taken as an example. It has for long had a monopoly in many products. In 1973 it was required by the UK Monopolies Commission to reduce its selling prices in the UK on two products—on Librium to not more than 40 per cent of 1970 prices and on Valium to not more than 25 per cent of 1970 prices. Past overcharging of the National Health Services was to be repaid.

What happens in Europe happens in the underdeveloped countries in exaggerated form. According to United Nations reports in 1971, the average inter-firm import prices of drugs imported by seventeen foreign-

owned drug firms operating in Colombia were two and a half times the current world prices. Colombia has since then begun to make direct official checks and to cooperate with other governments in the exchange of information on multi-national company pricing policies.

One of the features of the drug companies, which is becoming accepted practice by many other trans-nationals, is their registration in countries with low rates of corporate taxation. The tax rate in Switzerland is 10 per cent on profits compared with 30 per cent in the UK. Hoffmann La Roche and the CIBA, Geigy, Sandoz group are based in Switzerland, but sell less than 5 per cent of their output there and employ less than a quarter of their total workforce in Switzerland. CIBA has 36 factories in Europe, Geigy 50 foreign subsidiaries and Sandoz 40 in 20 different countries. Trade unions face serious problems of negotiating with such international giants. Good labour relations in Switzerland are not reflected in France and the UK, and Charles Levinson, the secretary general of the International Federation of Chemical and General Workers Union, describes in his book *International Trade Unionism*, the efforts of his organisation to give international support to national trade unions in their negotiations with the giant Swiss drug companies. There are, of course, many other tax havens for trans-national companies besides Switzerland. In some like Panama, Liberia, the Bahamas, Liechtenstein or the Isle of Man, some people reckon that there are more registered companies than there are inhabitants.

What can the unions do? — the issues to be considered

The remainder of this chapter is about the ways unions can help, either directly or indirectly, to balance the decision-making powers of the multi-national companies. As with the earlier chapters, there are:

- 1 Immediate practical issues of bargaining policy for trade unionists who represent membership in such companies.
- 2 The wider issues, which must concern all trade unionists whether or not they work in such companies, about what policies your union should adopt concerning ways of controlling multi-national decisions to fit in with the economic objectives you and your union feel to be right for Britain.

What are the needs?

The first step here is to note down what special needs you think arise from the fact that these companies operate multi-nationally. Your reading of the Book 1 chapter, and of this chapter must already have suggested particular special needs to you for example:

- a a special *need for information in wage bargaining* (on pay and conditions in foreign subsidiaries; on transfer pricing policies;)
- b a need for information and to be involved in *decisions on investment plans* (where new plant is to be located; where capital is being switched; etc.) if jobs are to be created or protected.
- c a *need to co-ordinate policies* with foreign trade unionists in the same

company in any disputes, and especially in the face of closure threats.

At the level of considering the interests of the national economy (2) you could consider how far there is a need, for example:

- d** to try to prevent the evasion of tax by using tax havens or registration of companies outside their 'home' country.
- e** to assert some controls over the export of capital, to ensure that reinvestment policies recognise community needs.
- f** to assert international controls over the use of multi-national company funds in currency speculation.
- g** to secure harmonisation of industrial relations practices and rights of trade union action in all countries the multi-national companies operate in
- h** to secure harmonisation, not only of levels of pay and conditions within a company, but also of the 'social wage' in different countries, so that divisive 'undercutting' and the use of cheap labour become less possible for multi-national companies.
- i** to find ways of controlling transfer pricing policies, which can so powerfully affect the balance of payments.

What are the methods?

Once you've decided on the *needs*, the second step is to decide which *method*, or channel, is the best way of meeting them. Here are some of the possibilities:

At international governmental level

1 By agreements made by governments through the United Nations. Reports and recommendations by U.N. committees have already been produced, and this work continues. The TUC has officially welcomed (in the 1975 Economic Review) 'the recent UN report advocating the prevention of investment in countries where worker's rights are not respected; international levelling-up of, and bargaining on, health and safety standards; . . . and suggesting the establishment of a UN Commission on multi-nationals.'

2 By agreed policies by governments through other international organisations like the Organisation for Economic Co-operation and Development (OECD), and the International Labour Organisation (ILO).

Pressure is exerted on the OECD by a trade union advisory committee. A report from the committee has asked for standards on trade union recognition, employment protection, social and welfare benefits, to be enforced by national governments. The committee has asked for strict control by national governments over monopoly price policies; it calls also for co-operation by all national governments to monitor and control all short-term capital movements and tax-incentive policies; and it calls for greater public accountability, suggesting that through appropriate legislation multi-nationals should be forced to disclose all information of

transactions between headquarters and subsidiaries.

You can see for yourself what this report and subsequent pressure resulted in by looking at the set of rules agreed by the 24 OECD member governments in June 1976, published by Her Majesty's Stationery Office under the title 'International Investment—Guidelines for Multi-National Enterprises'. Although largely voluntary, these guidelines should make it easier for government authorities to fix the 'true' prices of goods and services transferred between parts of a multi-national company so as to avoid being deprived of revenue. On science, technology, and licensing, the new code will encourage multi-nationals to contribute to the technological wealth of their host countries.

3 By agreed policies by governments in the European Economic Community.

Unlike the UN, OECD and the ILO, which have no legal powers to implement policies in their member countries, the European Community is a political organisation with institutions for adopting, applying and enforcing laws. The results of trade union pressure on the European Commission should therefore have more chance of being effective. A summary of the controls being introduced by the Community is available in the pamphlet 'The Protection of Workers in Multi-national Companies' from European Communities Information, (see page 126).

At international union level

4 By action through international trade union federations and their international trade secretariats, e.g. the International Metal Workers Federation; the International Chemical and General Workers Federation; the International Federation of Commercial, Clerical and Technical Employees.

(Details of the international trade union organisations are given in a valuable study 'Trade Unions and Multi-national Companies' by Basil Bye and Robin Usher, published by the WEA (see page 126). The WEA also issue ten Workers Study Booklets on the 'European Trade Union Movement').

At first sight, it seems obvious that international companies need to be tackled by international trade union organisations. Unfortunately, differences between the communist and non-communist political affiliations within European trade unionism have weakened strong combined action. In addition, of course, the international level bureaucracy acts at a distance from the basis of trade union power—the solidarity and bargaining strength at the plant and company level. This is perhaps why action at the international level has so far been concerned mostly with collecting and co-ordinating information on multi-national companies' structures and industrial relations practices. For example, both the International Chemical Workers and the International Metalworkers Federation have assembled information on up to sixty of the largest multi-national companies, covering: 'their international structure, location of

plants around the world, joint ventures, financial statements, collective agreements, number and type of employees, state of union organisation, comparative working conditions . . . A medium term aim is to have the most important collective bargaining information programmed for a computerised data bank.' *Charles Levinson International Trade Unionism pages 108-109 Allen and Unwin*

5 By joint trade union councils in multi-national companies

The problem of relating the information-gathering function of international trade union organisations to the realities of union strength at plant level might be tackled in two ways. First the international federations could help co-ordinate world-wide planning agreements, negotiated by national unions with national governments together with the company. Or second, there could be an extension of joint councils such as the International Federation of Petroleum and Chemical Workers has already established for specific companies like Shell, Standard Oil, Du Pont, ICI etc.

The International Metalworkers Federation has created eight specific World Auto Councils, respectively for General Motors, Ford, Chrysler, Volkswagen, Daimler Benz and Fiat-Citroen, British Leyland and Renault-Peugeot and recently established a Toyota-Nissan Council for South East Asia. The first success of these councils occurred during the 1971 strike at Fords in Britain, when stewards and committeemen from Dagenham met with their opposite numbers in Cologne and were given a pledge that Cologne workers would refuse overtime work on material or parts normally made in the Dagenham or Halewood plants in Britain which were on strike. Other successes have included moves towards the harmonisation of working conditions.

One other example: through the good offices of the International Federation of Chemical Workers, a Michelin World Trade Union Council was formed in June 1971 with delegates from France, Italy, Germany, Eire, Switzerland, Canada, Denmark, Algeria and Argentina. Assurances of participation were also received from Belgium, Holland and the UK and clandestine membership from the Spanish unions. Michelin has 120,000 employees, about a quarter of them employed in France. Its world-wide activities are controlled from Basel in Switzerland and include a major stake in both the Citroen and Fiat car companies and joint activities with the US tyre company, Goodyear. Not only does Michelin's Swiss registration enable it to benefit from Swiss tax laws, but its North American operations are based on another tax haven, the island of Bermuda. The aims of the Michelin World Trade Union Council are: *To co-ordinate collective bargaining and strikes, to further the best conditions of employment prevailing in Michelin, to collect and publish regular information bulletins, to demand the right of decision in company investment plans and to encourage and support the drive for membership organisation at all Michelin plants.* The Council still have a good way to go in realising these aims.

6 By international shop stewards combine committees.

Perhaps the best known example of this method is the Dunlop-Pirelli case. These two giant rubber and tyre manufacturers merged in 1970 to form the third largest tyre group in the world, the largest if their interests in Sumitomo, the Japanese company, are included. With sales of over £1,000m a year and a labour force of 180,000 in 210 plants in 26 countries the two companies' operations were almost completely complementary. They overlapped only in five countries, but these included their lands of origin, Britain and Italy, where there were fears of rationalisation leading to redundancies for 10,000 or more. Negotiation became difficult because Dunlop withdrew from the Joint Industrial Council in the UK and centralised its decision making, while refusing to recognise the Shop Stewards Combine Committee. After much fruitless pressure from the International Trade Union organisations, contact was made between the shop stewards in Southampton and those in Milan. A simultaneous one-day stoppage at both these centres of production brought immediate recognition and established the beginnings of a long-term strategy of joint action by the British and Italian combine committees. This strategy went far beyond the joint preparation of wage demands, to embrace jointly negotiated plans for new corporate investment. Proposals made originally by the merged company for cutting back employment have been replaced by investment that has created new job opportunities.

The strength of the trade union actions in Dunlop and Pirelli has rested on the direct contacts of the British and Italian shop stewards. Certainly, this kind of action will seem to many trade unionists the obvious way to operate in the multi-national companies. But foreign trade unionism is not based on a shop steward structure like in Britain—the fact is (as the Ford shop stewards made clear in the Year One programme) that Dunlop-Pirelli is an exceptional case. Italy happens to *have* shop stewards to be contacted. German plants do not. This, more than anything, accounts for the contrast with the Michelin case where trade union co-ordination is largely through Head Office representation.

7 By foreign union representation in company works councils.

Since in European countries trade union influence is exerted through works councils or forms of 'workers on the board', it has been suggested by ASTMS that the need is for British trade unionists to have a place in them. Trade unionists who feel that action at union international federation level is unrelated to local union bargaining strength, and that information often fails to filter down the hierarchy to shop steward level, may need to consider the Continental form of works councils seriously, since it is unlikely that European trade union structures will change to the British structure, at least in the foreseeable future.

At national government level

Through the TUC, your union can put pressure on the British government

which can seek to exert controls over multi-national decisions in three ways:

8 Through its foreign policy and diplomacy with other governments.

9 Through drawing up legislation.

10 Through the ways it uses controls in industry and in managing the economy.

The TUC has repeatedly seen a need for all three forms of government action. For example:

'The government must . . . demand long-term guarantees and negotiate international agreements to ensure that these companies retain a stable workforce, do not engage in blackmail threats to switch production, and abide by the British system of industrial relations. Such guarantees should be backed up by sanctions in the form of the withholding of industrial grants and privileges, if they are broken.'

TUC Economic Review, 1975

'Only when agreed policies on issues such as investment and tax incentives, minimum industrial relations standards, information disclosure and capital flows are supplied by all governments on an international basis will multi-national companies' powers of blackmail be controlled.'

TUC Economic review, 1976, p.61

'One major step would be the tightening-up of company law in Britain so that the global parent accounts of multi-nationals operating in Britain must be filed with the registrar of Companies according to UK accounting conventions; a global breakdown of employment on a country by country basis would be filed; and all transactions with affiliates, whether on capital or revenue account, would be separately disclosed.'

TUC Economic Review, 1975, p.41

At British subsidiary company level

At company or plant level, influence on the multi-national companies, decisions on jobs and pay could include:

11 seeking disclosure of information on the company's overseas structure, its investment policy, its import-export strategy, and its transfer pricing policy. (In other words a development of the trade union actions covered in Chapters 3 and 9).

12 seeking an extension of trade union facilities at work to include rights of time off and defraying of expenses for travelling to liaison meetings abroad.

13 discussing whether trade union representatives have a special educational or training need in facing questions of bargaining policy within multi-national companies and how far the union, and the TUC International Department, is geared up to supply the needed help and advice to them.

14 considering the educational needs of the membership, especially if they are going to be called on to help pay travelling expenses for delegates to world councils or to international combine committee meetings, and equally importantly, if because of chauvinist attitudes, they might fail to see the necessity for becoming involved with foreign workers' organisations.



Company level. If you work in a multi-national, do you see from the list 1–14, ways in which your present local bargaining could be backed up by action at other levels?

- Could your level of information about the company be improved?
- Could your bargaining be extended to greater influence and joint control over discussions like where new investment is to be located?
- Could your bargaining power be strengthened by establishing greater solidarity with workers abroad working for the same multinational company?
- *Union National Policy.* Whether or not you work in a multi-national company, How far do you agree that plant bargaining, or even national bargaining, cannot alone protect the interests of workers in multi-national companies?
- What combination of local action, national union action, government action, and inter-governmental action, would you like to see your union backing, in order to protect the interests of all workers?
- How far would you want your union to go in pushing through the TUC for stronger legal controls over multi-national companies by the British government, the European Economic Community and the OECD?
- Workers of the world are divided by barriers of language, of social traditions, of race and religion, and by attitudes of national pride. If you feel that solidarity in the face of the centralised decision-making powers of the multi-national companies is essential, how would you wish to see the union dealing with these barriers?

Now re-read this chapter, section by section, noting down your responses to the questions raised, and the issues you would like to discuss with your colleagues at work and in the union.

Where to find further information

Sources mentioned in the chapters of this book.

1 Department of Employment Gazette— HMSO— this monthly gazette gives all the figures on unemployment. You can look it up in your local library or union office.

TUC Report on Industrial Democracy— TUC Bookshop (see page 126)

TUC Economic Reviews 1975, 1976— TUC Bookshop

2 Social Trends— HMSO
— available at your local library.

NALGO 'Save your Services'
— a free leaflet, available from NALGO, Publicity Dept., 1 Mabledon Place, London, W.C.1.

TUC 'Automation and Technological Change'— TUC Bookshop

NUPE 'Inflation: Attack or Retreat'
— this pamphlet is up-dated and expanded in 'Time to Change Course' the NUPE Economic Review available from NUPE, Civic House, Aberdeen Terrace, London, S.E.3.

3 TUC 'Productivity Bargaining'— TUC Bookshop
AUEW (TASS) 'The British Motor Vehicle Industry: a Trade Union Response',
— available from TASS, Onslow Hall, Little Green, Richmond, Surrey.

The Ryder Report 'British Leyland: the Next Decade', HMSO
— available at your local library

TGWU 'Plant and Productivity Bargaining'
— Transport House Bookshop, Smith Square, London, S.W.1.

NALGO Economic Review 1976
— available free NALGO Head Office (see chapter 2 above)

'Strategy Alternatives for the British Motor Cycle Industry'— HMSO
— available local library

'Computers in Offices' D.E. Manpower Paper No. 12— HMSO
— available local library

TASS 'Computer Aided Design'
— for details: Head Office, TASS, address above.

ASTMS 'The Crisis in British Economic Planning— a discussion paper'
— available Head Office, ASTMS, 10 Jamestown Road, London, N.W.1.

4 Lucas Corporate Plan

— available from Lucas Aerospace Combine Committee, Secretary, Ernest Scarbrow, 86 Mellow Lane East, Hayes, Middx.

Wales TUC 'Social Consequences of Steel Closures in Wales'

— available from Wales TUC, 42 Charles Street, Cardiff, CF1 4SN.

TASS 'An Expanding Future for British Steel'

— available Head Office, see Chapter 3 above

TUC 'Industrial Strategy Checklist' — TUC Bookshop

5 TASS 'Computer Aided Design' — see chapter 3 above

TUC 'Automation and Technological Change' — see chapter 2 above

Employment Protection Act — HMSO

— this is available in your local library, and summary guides at local employment exchanges. A detailed guide to the Act (together with the TU and LR Act 1974) is available from the Labour Research Department. (See overleaf)

6 TUC 'Prices and Incomes — The Case for the Unions' — TUC Bookshop

Peter Donaldson's *Economics of the Real World* (Paperback in bookshops or from BBC Publications, see overleaf)

GMWU 'Strategy for Chemicals'

— available GMWU Head Office, Thorn House, Roxley Ridge, Claygate, Esher, Surrey.

TUC 'The Social Contract 1976/77' — TUC Bookshop

ASTMS 'The Crisis in British Economic Planning' — see chapter 3 above.

7 USDAW Annual Economic Report: 'Wages and Economic Policy'

— available USDAW Head Office, 188 Wilmslow Road, Fallowfield, Manchester M14 6LJ

'How Much Inequality' — Institute of Economic Affairs, 2 Lord North Street, London, S.W.1.

'Equality' by R.H. Tawney — local library

NUPE 'Time to change course' — see chapter 2 above

8 TWGU 'What about the Pensioner?' — Transport House Bookshop, see Chapter 3 above.

'Low Pay and How to End It — a Union View' by Alan Fisher and Bernard Dix, is available from NUPE (Price £1.25), see Chapter 2 above.

USDAW 'Rights for Working Women' — available free USDAW Head Office, see Chapter 7 above.

'Poverty and Equality in Britain' by J.C. Kincaid — local library.

9 TUC 'Industrial Strategy Checklist' — TUC Bookshop.

ASTMS 'The Crisis in British Economic Planning' — see Chapter 3 above.

10 'International Trade Unionism' by Charles Levinson — local library

NALGO 'Economic Review' — see Chapter 3 above

OECD 'International Investment — Guidelines for Multinational Enterprises' — HMSO or local library.

'The Protection of Workers in Multinational Companies'

— available from European Communities—Information, 20 Kensington Palace Gardens, London, W8 4QQ, or HMSO

WEA 'Trade Unions and Multinational Companies' by Basil Bye and Robin Usher—available from WEA Service Centre

WEA 'European Trade Union Movement' — Workers Study Booklets
— available from WEA Service Centre.

In writing to the following addresses you should ask for details of other relevant publications that they make available. There are many more pamphlets and sources available to trade unionists than those mentioned in this book. You may need to check that the prices given have not changed, and if there is extra for postage.

TUC Bookshop,
Congress House,
Great Russell Street,
London, WC1B 3LS
01-636 4030

Labour Research Department,
78 Blackfriars Road,
London SE1 8HF
01-928 3649

WEA Service Centre,
Temple House,
9 Upper Berkeley Street,
London W1H 8BY
01-402 5608/9

BBC Publications
35 Marylebone High Street,
London W1M 4AA

Her Majesty's Stationery Office (HMSO),
49 High Holborn,
London WC1V 6HB

OR
P.O. Box 569,
London, S.E.1.
01-928 6977

Where to get advice

on classes or discussion groups in your area

For information about discussion groups being formed in your area, and for any information concerning the Trade Union Studies project—the programmes, the books, the postal courses, the teaching help available—apply to Trade Union Studies Project, TUC, Tillicoultry, Scotland. Or ask your nearest TUC or WEA office.

TUC Regional Educational Offices

Northern

Rooms 30 and 31,
Bank Chambers,
51 Grainger Street,
Newcastle-upon-Tyne
Tel: 0632 21725

East Midland

Meade House,
6 Hamilton Road,
Sherwood Rise,
Nottingham
Tel: 0602 606076

Yorkshire and Humberside

Room 16,
Campo Chambers,
26 Campo Lane,
Sheffield S1 2EF
Tel: 0742 27263

North Western

Room 22,
Venice Chambers,
61 Lord Street,
Liverpool L2 6PB
Tel: 051-236 5991

Midland

134 Bromsgrove Street,
Birmingham B5 6RJ
Tel: 021-622 3169

South Western

Guildhall Chambers,
26 Broad Street,
Bristol BS1 2HG
Tel: 0272 20979

South Eastern and London

Education Department,
Trades Union Congress,
Great Russell Street,
London WC1B 3LS
Tel: 01-636 4030

Wales

13 Gelliwasted Road,
Pontypridd,
Glamorgan
Tel: 0443 402677

Scotland

12 Woodlands Terrace,
Glasgow C3
Tel: 041-332 4946

Northern Ireland

TUC Education Office,
236 Antrim Road,
Belfast BT15 2AN
Tel: 0232 749481

WEA District Offices

To obtain any of the WEA's teaching facilities, apply to the District Secretary in your area:

Berks., Bucks. and Oxon

The Painted Room,
3 Cornmarket Street,
Oxford OX1 3EX
Tel: Oxford 46270

Eastern

Botolph House,
Botolph Lane,
Cambridge CB2 3RE
Tel: Cambridge 50978

East Midland

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Tel: Nottingham 45162

London

32 Tavistock Square,
London WC1
Tel: 01-387 8966

Northern

51 Grainger Street,
Newcastle-upon-Tyne NE1 5JE
Tel: Newcastle 23957

North Staffs.

Cartwright House,
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Stoke-on-Trent ST1 4EU
Tel: Stoke-on-Trent 24187

North Western

College of Adult Education,
Cavendish Street,
Manchester M15 6BJ
Tel: Manchester 273 5954

Southern

4 Carlton Crescent,
Southampton SO9 5UG
Tel: Southampton 29810

South Eastern

4 Castle Hill,
Rochester, Kent
Tel: Medway 42140

South Western

Martin's Gate Annexe,
Bretonside,
Plymouth, Devon PL4 0AT
Tel: Plymouth 64989

Western

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Bristol BS1 1UF
Tel: Bristol 28322

West Lancs. and Cheshire

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School Lane,
Liverpool L1 3BX
Tel: Liverpool 709 8023

West Midlands

9-11 Digbeth,
Birmingham 5
Tel: Birmingham 643 0717

Yorkshire North

7 Woodhouse Square,
Leeds LS3 1AD
Tel: Leeds 23304

Yorkshire South

Rooms 3, 4 and 7,
St. Paul's Chambers,
St. Paul's Parade,
Sheffield 1
Tel: Sheffield 22641

North Wales

33 College Road,
Bangor, N. Wales
Tel: Bangor 3254

South WALES

49 Charles Street,
Cardiff CF1 4EB
Tel: Cardiff 231 176

Scotland (N)

Kitty Brewster Shopping Centre,
Aberdeen AB2 3RZ
Tel: Aberdeen 494016

Scotland (SE)

Riddle's Court,
322 Lawnmarket,
Edinburgh EH1 2PG
Tel: Edinburgh 226 3456

Scotland (W)

212 Bath Street,
Glasgow C2
Tel: Glasgow 332-5134

Northern Ireland

56 Dublin Road,
Belfast, N.I. BT2 7HP
Tel: Belfast 29718

What's the next step?

Postal Courses

The TUC Education Department, as its contribution to the Trade Union Studies Project, has designed new postal courses to develop the issues raised in the television programmes and the Trade Union Studies Books One and Two. Further details and enrolment forms can be obtained from the TUC Postal Courses Office, Tillicoultry, Scotland.

Basic Trade Unionism

'But I've never done any studying since I left school — and I didn't do much then!'

Is this you? If you're new to trade unionism — or to Trade Union study — then there is another postal course designed with you in mind, 'Basic Trade Unionism'.

There are just five sections, which get you looking at subjects like these:

- Conflict between workers and employers
- Why trade unions were formed
- Democracy in politics and work
- Workers and the Law

Like 'The Bargaining System', it's been designed to make study at home as easy and rewarding as possible.

So it's a good introduction to study . . . AND to the rest of the Trade Union Studies Project.

You can start NOW and it's FREE. (Details from Tillicoultry, address above)

The Bargaining System

The new postal course associated with the first year ten programmes is already available. Called 'The Bargaining System', it has been designed to make study at home as easy and rewarding as possible for all trade unionists, whenever they left school. There are maximum opportunities for you to check your own progress as you go along.

And it's free; all you pay is the postage.

'The Bargaining System' is a follow up to the Year One programmes. If you want to do this course you should obtain a copy of Book One (see page 11).

Trade Unions and the Economy

This is the title of the postal course designed as a direct follow-on to this Book Two. This book is in fact an essential introductory workbook to the postal course. Again, for details apply to Tillicoultry.

Day Schools

For those trade unionists who decide to go on to these specially designed TUC postal courses, there will be the opportunity to attend one-day schools which are being arranged by the WEA. These will enable trade unionists:

- To discuss any problems arising from their postal course study;
- To discuss the issues raised by the programmes, book and postal course with fellow trade union students;
- and to develop the themes raised with the assistance of an experienced tutor.

Details will be sent to postal course students.

Acknowledgement is due to the following for permission to reproduce photographs :

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TRADE UNION STUDIES BOOK TWO

Every day, it seems, it becomes more difficult to understand what is going on at work without reference to the *economy* and what is happening to it. If you are a Trade Unionist and you want to know more about the issues we hear so much about in the papers – or if you just want to find out what other people think – then this is the book for you. It is part of the Trade Union Studies Project which brings together the TUC, BBC, and the Workers' Educational Association in a scheme of new educational opportunities. The contents of the book give you an idea of the issues – national and local – we will be looking at:

- What use is economics to us?
- Productive or non-productive?
- What is efficiency?
- The Right to Work
- New jobs for old
- The Social Contract
- Fairer Shares
- Wages and taxes
- Buy British!
- Workers of the World